

Name of meeting: Cabinet
Date: 17th January 2017
Title of report: Investment in Transformation

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes Both the expenditure and potential savings are above £250k
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Director</u> & name Is it also signed off by the Assistant Director (Financial Management, Performance, Risk and IT)? Is it also signed off by the Assistant Director (Legal, Governance & Monitoring)?	Jacqui Gedman – 9 January 2017 Debbie Hogg – 6 January 2017 Julie Muscroft – 9 January 2017
Cabinet member portfolio	Cllr Graham Turner - Asset Strategy, Resources and Creative Kirklees

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

1. Purpose of report

1.1 The purpose of the report is to provide Cabinet with an overview of two transformation projects requiring investment on an invest-to-save basis as part of the New Council programme. Specifically:

- to gain approval for the investment and ongoing costs required to make the Council “Mobile and Agile”. This will be achieved through the creation of a technology-enabled workforce, and by transforming the Council’s organisational culture and ways of working to enable Kirklees to be a mobile, agile and paper-lite organisation.

- to update Cabinet on the appointment of Deloitte as the Council's Transformation Business Partner. Deloitte have been selected following a competitive procurement process and are supporting the Council to identify and deliver further savings in support of the Medium Term Financial Plan.

2. Summary of recommendations

Having read this report and the accompanying appendices, Cabinet are asked to:

- 2.1 approve proposals to invest the existing identified capital and revenue expenditure, together with additional revenue provision in essential updates to the Council's IT infrastructure and Mobile and Agile technologies.
- 2.2 note the selection of Deloitte as the Council's Transformation Business Partner.
- 2.3 note that future costs of working with Deloitte as the Transformation Business Partner will be funded from the New Council Development Reserve.

3. Key points

The New Council Programme has been developed to transform what the organisation does and how it does it in the face of an unprecedented level of financial challenge. This necessarily includes modernising our working practices, and embracing new ways of doing things to make the organisation and its workforce as efficient and productive as possible.

This supports the Council's statement in the Corporate Plan 2016-17, that:

"We will have to make some unavoidable reductions to services, but will continue to make these difficult decisions based on what is valued most by local people and we will continue to explore new and innovative ways of doing things."

3.1 Mobile and Agile

Investment in technology is key to this and can fundamentally change the way that the Council operates. For example, it can enable Kirklees to be a mobile, agile and paper-lite organisation, rather than fixed to offices and dependent on paper. It can also help us to collaborate and communicate effectively, spend more time on productive front-line activities and less on back office administration.

The business case for the Mobile and Agile project is orientated around the delivery of the technology needed for large elements of the Council's workforce to work from anywhere, anytime, and with any partner at will, with full functionality and without the need for physical documents, space within or access to a civic building.

Enabling secure, seamless, and fully functional working 'in the field', without the need to return to base for information, files, receiving new assignments, and to access IT systems will mean services can be delivered in citizens' homes, within communities and at partner locations, allowing delivery of an equal or better service, yet with improved outcomes, increased speed and at reduced cost.

The proposal addresses the need to invest in technologies that not only are key to delivering the new capabilities described, but are a "critical response activity" to

the aging desktop estate and corporate desktop software, email services, and the ongoing high cost of desktop equipment provisioning.

This approach fulfils the Council's aspirations under the New Council Target Operating Model, Economic Resilience Programme, Early Intervention and Prevention Programme and will enable a large proportion of Service Change Plans.

3.2 Transformation Business Partner

Although the Council has implemented a large number of service changes and begun to deliver on plans for organisational transformation, its budget position has continued to decline.

This is largely due to:

- delays in implementing some savings plans
- demand pressures across Adults and Children's Services
- a higher reduction in public health grant than expected
- additional and unexpected costs required to support improvement work in Children's Services
- an underlying budget gap, at £28m in 2017-18, increasing to £65m by 2020-21.

In response to this, the Executive Team have identified the need to procure third party support to provide the Council with the capacity and capability needed to quickly identify savings that can support the Council to bridge its funding gap (including in 2017/18). Internal resources are at full capacity, and it is difficult to recruit permanent staff who have the experience necessary to identify and implement changes at the pace required to deliver savings in the MTFP.

Following a competitive procurement process using Crown Commercial Service's Consultancy One framework, Deloitte were identified as the preferred supplier based on quality (60%), price (30%) and interview (10%). The team from Deloitte is due to commence working with the Council in early January 2017.

Their first priority is to undertake a robust and transparent diagnostic to identify areas where there is the greatest opportunity to make substantial cashable savings across council services. The principle areas of focus for this work will be Adult and Children's Social Care, where demand pressures are significant. However, all services will be looked at, including corporate services.

This initial diagnostic process is scheduled to take 4-6 weeks and be completed by the end of February. At the end of the diagnostic phase, a long list of options will be presented to the Executive Team. From this, a final list of projects will be agreed and a contract negotiated with Deloitte for resources required to support implementation. The Executive Team will also identify where opportunities could be implemented by internal Council teams without the need for Deloitte's support.

To make sure that limited resources are used effectively and this work delivers value for money, the contract with Deloitte has been developed on a risk and reward basis. This means that the fee paid to Deloitte will be dependent on the level of savings achieved and the Council will be guaranteed to make greater savings than the cost of undertaking the work. This approach allows the Council to benefit from specialist knowledge and expertise with much reduced financial risk.

The existing New Council Development Reserve will be utilised to pump-prime this work on an invest-to-save basis.

4. Information required to take a decision

4.1 Mobile and Agile

Historically, the Council has funded its IT Desktop Estate on a reactive capital basis. This means that periodically, when the software and equipment reached the end of its supported life, a capital investment was made followed by several years of “leveraging the investment”.

The worldwide technology market has since moved towards a “Revenue Model”, where the software elements of the investment are now based on a “per user, per month” cost and where organisations only pay for what they actually use. The new investment is required in respect of revenue rather than capital funding.

While this new model requires the Council to continuously pay to keep its infrastructure online, it also means that the latest functionality, features and security protection will always be available and that payment can be constantly adjusted as the organisation changes in size, so we only pay for what we use and need.

This global shift towards a revenue model means that it is not possible for the Council to have a ‘do nothing’ option. Effectively, the product that we currently use will no longer be provided or supported. To do nothing and maintain current systems would therefore result in the Council rapidly losing its IT capability:

- 2016 – email loses ability to be supported,
- Jan 2020 – Desktop Software Support Ceases,
- October 2020 – Microsoft Office Support Ceases,
- Jan 2020 – The Council will lose its PSN and N3 certification and lose its DWP and NHS network access, together with access to any other public sector systems, resulting in significant operational and reputational risk.

Given the size of the Council’s infrastructure (over 6500 staff using PCs), it will take around 2 years to implement the new technology across the organisation. Commencement of the project from the beginning of 2017/18 is therefore imperative.

At the same time as making this unavoidable update to its IT infrastructure, the Council has also identified an opportunity to use this update to support its journey to ‘New Council’ ways of working. Specifically, it has been identified that investment in Mobile and Agile technology could deliver the following functionality:

- **Making the Workforce fully Mobile and Agile:** Staff are able to work from any partner, home, field or remote location with the full functionality to fully execute their role without the need to return to a base or undertake previously essential travel.
- **Making the Council Paper-lite:** All mail, files, archives, operational documentation are captured, stored and delivered to the place of need fully electronically, dispensing with production, storage, archiving, retrieval, and

transport costs, together with relieving many current document archiving issues and risks.

- **Making the Council Collaborative:** Staff are able to work closely with partners at disperse locations , fully functionally and effective regardless of their location, preferred technology, or security level, enabling decreased travel and associated time, and subsequently increased time collaborating and delivering.
- **Keeping the Council Enabled:** The Council is able to continue delivering effective services by ensuring that the technology barriers of an out of date infrastructure do not impede delivery, and ensuring that the Council remains secure and compliant with its desktop estate while operating in more open environments.

It is fully recognised that investment in technology alone will not deliver the anticipated benefits and that cultural change is also essential. To that end, an organisational development programme will support the implementation of the technology so that staff have the complementary skills, behaviours and expectations needed to reap the benefits of mobile and agile working.

5. Implications for the Council

5.1 Mobile and Agile

The need for investment is unavoidable without losing the Council's corporate IT capabilities. However, there is an opportunity for the Council to maximise the value for money of this investment by delivering Mobility, Agility, Paper-lite Operation and Collaboration, at a point price below the cost of simply renewing the existing arrangements.

A number of options were considered, concluding in a proposal that delivered the highest number of benefits for the lowest cost.

- **Option A (recommended option)** – largely funded from existing spend, with additional revenue provision ranging from £430K in the first year to £816K following full implementation, and with full benefits and a positive return on investment above the cost.
- **Option B** costing 40% more to deliver all benefits but using legacy technology
- **Option C** costing 19% more to maintain legacy systems and not deliver any of the benefits or New Council functionality.
- **Option D** costing £0 – BUT to do nothing would result in a rapid timeline to the Council losing its IT capability;
 - 2016- email loses ability to be supported
 - Jan 2020 - Desktop Software Support Ceases
 - October 2020 - Microsoft Office Support Ceases
 - Jan 2020 - As a result, the Council will lose its PSN and N3 certification and lose its DWP and NHS network access, together with access to any other wider public sector systems, resulting in significant operational and reputational risk.

After considering all options, **Option A** was identified as the preferred option based on an assessment of the functionality it will deliver, the costs of implementation and the benefits that will be realised.

5.2 Cost and benefits profile

To implement Option A, there are elements of capital investment required, and these can be met from existing budget allocation. Partial funding for the revenue costs has also been identified, through efficiencies and re-allocation of existing resources. However, a shortfall of revenue funding exists, as indicated below:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Costs	808,000	1,082,000	1,615,000	1,542,000	1,318,000	1,168,000
Less Budget in Place	-808,000	-652,000	-652,000	-652,000	-502,000	-352,000
Funding Shortfall	0	430,000	963,000	890,000	816,000	816,000

Benefits	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Decommissioned IT	0	0	0	-96,000	-96,000	-96,000
Corporate Productivity (conservative 0.5% change)		-480,000	-960,000	-960,000	-960,000	-960,000
Reduction in Corporate Travel (conservative 5% of 2016 spend)		-94,000	-94,000	-94,000	-94,000	-94,000
Asset Building Savings (realised through Office Accommodation Strategy)			-350,000	-700,000	-700,000	-700,000
Total Benefits		-574,000	-1,404,000	-1,850,000	-1,850,000	-1,850,000

5.3 Benefits

In calculating the benefits of this investment, estimates have been deliberately conservative and efforts have been made to avoid 'double counting' of benefits. In a number of cases, this investment will enable existing savings in the MTFP to be achieved. For example, the programme will assist in the Asset /Building savings realised within the Office Accommodation Strategy of circa £350K for 2018-19, and £700K for 2019-20 and ongoing.

Direct cashable benefits include:

- Increasing workforce productivity – for example, staff are able to undertake more site visits each day if they do not need to come back to the office to pick up files, type up case file notes etc.
- Reducing the necessity for business travel
- Decommissioning of IT Systems
- Reduced number and cost of devices
- Reduced printing, paper, postage, storage and logistics
- Simplification of IT Support

Other, non-cashable benefits include:

- Moving the Council's Desktop IT Estate to a Supported Platform (essential)
- Elimination of the technology barrier that ties the workforce to civic buildings
- Potential to rationalise the Council's requirement for office accommodation and realise re-sale value (enabling the Office Accommodation Strategy)
- Greater ability to collaborate with partners and the public
- Digitising incoming, outgoing mail and distribution
- Electronic Document Management – supporting the Council's ability to process work electronically, with less data entry required and reduced risk of human error
- Allowing the secure use of privately owned, partner owned, or cheapest possible council owned devices
- One device for everything, rather than multiple devices and cost per officer
- Collaboration with anyone, anytime, from any location
- Data security using a "Secure Walled Garden" to prevent data leakage and protect information.

5.4 Transformation Business Partner

Procuring external support from a Transformation Business Partner will require investment from the Council. The exact costs will depend on the scope of work agreed after the diagnostic phase. The contract with Deloitte has been designed to deliver maximum value for money and to ensure that Council staff are both utilised and upskilled through the process. It is important that the partner leaves the Council in a strong position to implement continuous improvement in the longer term.

This diagnostic phase will run for 4-6 weeks from early January.

The full cost of support from Deloitte will be dependent on the programme of work agreed at the end of this period. Every effort will be made to ensure value for money by targeting Deloitte's involvement on projects where their involvement is essential to success. For example, where the Council does not have the capacity or capability to make the required changes in the timescales required. All work will be delivered on a risk and reward basis to ensure that the Council achieves greater benefit than the cost of undertaking the work.

The scope of work for the provider is:

5.5 Adults and Children's Social Care:

To provide an understanding of opportunities to reduce demand, deliver cashable and non-cashable savings from 2017/18, which bring a positive return on investment, consistent with the Council's priority outcomes and target operating model.

To provide an understanding of the opportunities to improve flow and productivity, reduce preventable demand on services from people who are likely to need to use services in the near future and to ensure that, where services are required, they are delivered and managed in the most cost effective way consistent with high quality person centred practice.

- 5.6 **Other services:** To undertake a Council-wide diagnostic to identify priority areas where there is the biggest opportunity to:
- improve the efficiency and effectiveness of services by building a better understanding of current and future demand, and how this can be effectively managed.
 - reduce demand for services from the public, for example by changing behaviour and expectations (reducing littering, increasing recycling etc.)
 - increase income (for example from traded services, or increased council tax revenue)
 - reduce expenditure that supports an individual's personal income (for example welfare services) by improving their overall financial situation.

6. Consultees and their opinions

6.1 Mobile and Agile

The Mobile and Agile approach was proposed within the ICT Strategy for Kirklees in order to address requirements of the New Council Target Operating Model, and across most Service Change Plans within the Authority.

An extensive engagement with across the Council including Place, Adult Social Care, Children's and Young People, Resources, the Redesign Board, Corporate Management Group, and Executive Team has revealed both a strong appetite for this capability, and a recognition of this being essential to enable efficient future working models to enable "New Council".

The Mobile and Agile approach has been universally accepted as an essential enabler for "New Council" change programmes, together with recognition over there being no option but to act, as a result of the Council's existing infrastructure approaching a "Cliff Edge" in 2019/20.

6.2 Transformation Business Partner

Prior to the commencement of the formal procurement process, a market engagement activity was undertaken to gain feedback from providers on our proposals. Feedback was used to inform and improve the final procurement documentation.

7. Next steps

7.1 Mobile and Agile

- 7.1.1 Proceed with the pilot technology implementation in key areas of the Authority
- 7.1.2 Make additional revenue provision within the IT Service to allow for a two year implementation, followed by sustained support going forward.
- 7.1.3 Make the organisation ready to fully utilise and benefit from the new capabilities and use to inform future service design.

7.1.4 Commence with a 2 year implementation at the beginning of 2017/18

7.1 Transformation Business Partner

7.2.1 Complete the diagnostic phase of the programme – by end Feb

7.2.2 Agree a programme of work with identified cashable savings - by end March.

7.2.3 Engage elected members, partners, staff and other stakeholders in the development of agreed transformation projects

7.2.4 Provide Executive Team and elected members with the information required about progress, benefits and risks to make informed decisions about implementation.

8. Officer recommendations and reasons

Having read this report and the accompanying Appendices, Cabinet are asked to:

8.1 approve proposals to invest existing capital and revenue, plus additional revenue provision in essential updates to the Council's IT infrastructure and Mobile and Agile technologies.

8.2 note the selection of Deloitte as the Council's Transformation Business Partner.

8.3 note that future costs of working with Deloitte as the Transformation Business Partner will be funded from the New Council Development Reserve.

9. Cabinet portfolio holder's recommendations

The Portfolio Holder requests that Cabinet gives approval for the recommended approach and allocation of resources.

10. Contact officer

Michelle Nuttall, Head of Transformation
Andy Brammall, Head of IT and Change

11. Assistant Director responsible

Debbie Hogg – Assistant Director – Financial Management, Performance, Risk and IT
Joanne Bartholomew – Assistant Director (Place), Chair of the Redesign Board