CABINET

25 MARCH 2022

REPORT OF PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE

A.2 DIGITAL TRANSFORMATION PHASE TWO COMPLETION PERFORMANCE ANALYSIS AND EXPLORATION OF FURTHER DIGITAL INVESTMENT OPPORTUNITIES

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

This report covers the following two key strands:

1. A review of the digital transformation phase two programme and report the deliverables, outturn and analysis.

2. To set out potential further investment opportunities for consideration via the Corporate Investment Plan.

EXECUTIVE SUMMARY

On 16 February 2018 Cabinet approved a Digital Transformation programme of works with estimated capital one-off costs of £865,200 and ongoing revenue costs of £220,500 per annum. The programme comprised three key strands of investment, as follows;

1) A new *MyTendring* council self-service web portal providing services 24/7.

2) A Cloud Migration Strategy, migrating our IT systems and data storage from Council-owned/ maintained hardware to rented pay-as-you-go Microsoft Azure platform resources.

3) A new council smartphone *LoveTendring* 'Tourism and Events' App to promote tourism events. This was a new technology opportunity trial for the council.

A summary of the digital transformation programme is provided later in the report with further performance details given in an **Appendix A**. A summary of key programme performance and deliverables are as follows;

- **From a programme time perspective** the deliverables were severely delayed by the COVID-19 pandemic and the need to divert limited resources to support higher council priorities e.g. IT enabled council business continuity and local economy supporting business grants enablement.

- **From a cost perspective** the original / scoped programme was delivered within budget.

- **From a deliverable quality perspective** 19,382 registered subscribers use the *MyTendring* service - more than one in four Tendring households. Growth forecasts suggest 24,000 subscribers by June 2022 - one in three Tendring households. Promotional marketing is planned throughout 2022.

- *MyTendring* service users rate their service satisfaction at 4.6 stars out of 5 stars average or 92% very satisfied and raised 19,400 customer self-service requests raised during the last 12 months.

- 19,400 self-service requests equates to a council average resource saving of £59,173 per annum or 10.5% ROI per annum based upon the capital investment.

- *MyTendring* self-service is a key local economy COVID business grant supporting access channel - 4,686 MyTendring self-service grant applications processed, and growing.

- The adopted Cloud migration strategy enabled seamless council business continuity during the COVID pandemic – our aging on-premise infrastructure simply could not have supported the necessary overnight switch to remote working and self-service. Our disaster recovery response position is also greatly strengthened.

- The council's cybersecurity has been significantly strengthened through Microsoft's £5 billion investments in cloud-only cybersecurity protective services. Working with DLUHC, further cyber security work is scheduled to be undertaken with further details set out later on in this report.

- The re-engineered/ re-launched LoveTendring App achieved 1,351 downloads between July and Aug 2021 - promoting leisure and tourism events and real-time district-wide beach crowding (social-distancing) information. Rated third overall in the Google Appstore 'events App category' ratings (Sept'21) further enhancements are planned for 2022.

- The programme has facilitated the development of an in-house digital developer skills resource delivering ongoing and new: service efficiencies, cost savings, cost avoidances, innovative support applications, partner - working opportunities.

In addition to the above, a number of essential cyber security initiatives are now underway following a collaborative approach taken with the Department for Levelling Up Housing and Communities (DLUHC) who have also provided associated funding of £150,000. Although further details are set out later on in this report, the threat from cyber security is steadily growing and if an attack on the Council was successful, recovery / remedial actions can cost several millions of pounds, as unfortunately experienced by other Local Authorities elsewhere in the country.

It also important to highlight that the delivery of a digital transformation project that spans several years will introduce a number of risks that have required additional / unavoidable costs to be recognised that are to a large extent outside of the direct / estimated initial project costs e.g. Microsoft licensing costs and other changes to the wider digital environment.

The impact of strong digital transformation approach is essential in any modern forward thinking organisation, which also provides a significant level of resilience. A good example being how this underpinned the various successful activities that were undertaken at the start of and throughout the pandemic, to ensure that the Council could function and provide its essential services as seamless as possible. This ethos has therefore had a major impact looking back but will equally have a major impact looking ahead to 2022/23 and beyond.

With the above in mind, and against the context of the need to continue to reflect the ever-changing digital environment, further investment opportunities have been explored, which are set out within **Appendix B.** These will be considered further as part of the new Corporate Investment Plan approach.

RECOMMENDATION(S)

That Cabinet:

    (a) notes the outcomes of the digital transformation (phase two) programme within the context of timescales, costs and outcomes; and

    (b) requests Officers, in consultation with the Portfolio Holder for Corporate Finance and Governance, to develop the projects set out within Appendix B, for further consideration as part of the Corporate Investment Plan.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

As outlined in the 2018 Cabinet report the digital transformation investment proposals are primarily focused on delivering our stated Corporate Plan priority of "Delivery of high quality, affordable services" and specifically addressed:

- ✓ Transforming the way we work.
- ✓ Our financial strategy and a balanced budget.
- ✓ IT improvement programme.
- ✓ Engagement with the community
- ✓ Workforce planning.
- ✓ Maximising tourist opportunities through events.
- ✓ Improving customer access to services.

Our *MyTendring* self-service 'customer portal' further supports the vulnerable and rural communities to engage directly with the Council. Other digital channels remain available as is mediated access through telephony and face to face services.

Throughout its inception and the adoption of the council's Customer Service Strategy it was always envisaged that the Council's IT team would play a key development and delivery role. This digital transformation investment represents an additional key supporting element in enabling and practically delivering the customer service strategy.

Looking ahead, the on-going digital transformation approach cuts across a number of key existing priorities that includes:

- Delivering high quality facilities for customers and staff
- Providing 24 hour a day digital services
- Using assets to support priorities
- Effective and positive governance
- Joined up public services for the benefit of our residents and businesses

FINANCE, OTHER RESOURCES AND RISK

Key financial information is set out further on in this report along with other key project milestones / outcomes such as time and quality.

LEGAL

All programme investments were undertaken in accordance with the Council's Budget and Policy framework.

The programme procurement route was via the UK government digital marketplace GCloud-9 framework, which was fully compliant with the Official Journal of the European Union (OJEU) procurement regulations of the time and used in accordance with the Council's Procurement Procedure Rules.

Good governance, encompassing assurance and learning, includes reviewing major projects in terms of outcomes, costs and benefits whilst exploring future opportunities etc. This report seeks to address these aims as part of the underlying discipline of reviewing and learning from undertaking major projects and initiatives.

OTHER IMPLICATIONS

Consideration was given to the implications of the decisions in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Digital services promote inclusion for all those with digital capabilities in terms of equality/ diversity/ health.

From a public consultation/ engagement perspective the growth in *MyTendring* subscriptions to over one in four households, the service satisfaction customer rating is strong with 92% giving a 4 or 5 star rating. The satisfaction ratings speak for themselves but the council should not be complacent in its improvement strategies.

Likewise, the *LoveTendring* App rapid achievement of 1,351 downloads (July-August 2021) or 353% growth over the original App is evidential of a sustainable service that requires ongoing development and additional in-house resource commitment.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

Members will recall that the Digital Transformation Phase 2 report was adopted by Cabinet on 16 February 2018 with an estimated two year delivery timeframe. The programme of works began in earnest on 1 July 2018 following the additional product market research requested, completion of the government framework (G-Cloud) procurement, contract finalisation and resource mobilisation etc.

The 2018 Digital Transformation Phase 2 comprised three key sub-projects, namely;

1. **A *MyTendring* Self-Service Web Portal** (Firmstep product subsequently re-branded Granicus). Investment in 'front office' IT products and specialist consultant resources to integrate these systems with our existing 'back office' databases and systems. The project will enable 'step change' improvements in our customer service delivery, and officers working in a mobile fashion out in our communities.

2. **Cloud Migration Strategy** Investment to migrate our IT systems data storage from Council-owned/ maintained hardware that will soon require investment or replacement to that of rented Microsoft Azure platform resources – 'The Public Cloud'. However, this project represents a shift from periodic, increasingly large capital investment and ownership of IT hardware, to that of monthly 'pay as you go' hardware rental costs. There are additional operational benefits in terms of flexibility and business continuity/ resilience.

3. **Council Smartphone 'Tourism and Events App'**. Investment to develop a smartphone App to promote tourism events and to enhance Air Show crowd funding income. The project also represents a new communications media for the council to utilise.

The projects and investment set out formed a key building block in several of the Council's key strategies and plans to transform and modernise the way we work, deliver our services and interact with our residents.

The Digital Transformation phase 2 programme was about using technology to improve performance and efficiency (doing more for less), provide our residents and customers with a digital self-service *'single portal access to services'* council-wide and introducing new Mobile Phone App communications media channel.

The report noted that our residents' and customers' capabilities, expectations and desire to engage with the Council digitally increases year on year. However, whilst the digital gap between the 'haves' and the 'have nots' is constantly reducing, it recognised the need to maintain service inclusivity through other channels e.g. telephone services.

The programme required robust monitoring and reporting arrangements with risks and issues requiring active management throughout. With this in mind a programme delivery board, comprising key officers (IT, Customer Services, Audit, Communications) and consultants met fortnightly to monitor issues/ risks, efficiencies and performance against timescales and budget.

A further report was considered by Cabinet on 13 September 2019 where an interim project update was presented. This report specifically provided a timely update on significant events/ changes, which affected the programme along with a number of cost pressures relating to digital working, partly arising from the changes experienced since the project commenced in 2018.

As part of the Council's project management / investment processes, departments are expected to report the outcome from major investments undertaken, which not only completes the investment 'circle' but it also provides an opportunity to provide a basis to inform future investment decisions. This report therefore addresses this key governance issue.

DIGITAL TRANSFORMATION PERFORMANCE SUMMARY

Although further details are set out in **Appendix A**, a summary of project performance is set out separately below against the two key strands of cost and timescales / quality:

Project Budget / Costs
The following updated digital financial programme financial forecast was set out in the report considered by Cabinet on 13 September 2019 referred to earlier:

Programme Strand	Feb 2018	Sept 2019 Revised	Forecast Change
Project One-off Costs			
My Tendring Portal: One-off project cost	519,200	519,200	0
Cloud Migration: One-off project cost	226,000	226,000	0
NEW: Cloud Migration: 2019/20 migration hosting costs	N/a	91,161	91,161
Leisure & Tourism App: One-off project cost	120,000	114,000	6,000
NEW: Northgate Electronic Doc Records Mngmt (EDRM)	n/a	23,900	23,900
NEW: Microsoft Licencing Increase 2019/20	n/a	66,693	66,693
Project One-off Costs (2019/20) Sub Total	865,200	1,040,954	**£181,754 2019/20 One-off Cost Pressure**
Project Ongoing Costs:			
My Tendring Portal: Ongoing project cost (licensing)	71,500	67,600	(3,900)
My Tendring Portal: Savings Forecast	(106,766)	(15,504)	91,262

My Tendring Portal Ongoing Sub Total Forecast	(35,266)	52,096	87,362
Cloud Migration: Ongoing project cost	149,000	187,701	38,701
Cloud Migration: Savings Forecast	(140,663)	(160,224)	(19,561)
Cloud Migration Ongoing Sub Total Forecast	8,337	27,477	19,140
Leisure & Tourism App: Ongoing project cost	n/a	6,000	6,000
Leisure & Tourism App: Savings Forecast (revenue)	(33,405)	(17,575)	15,830
Leisure & Tourism App Ongoing Sub Total Forecast	(33,405)	(11,575)	21,830
NEW: Microsoft Licensing 2020/21	n/a	34,446	34,466
NEW: Contact Centre Renewal: Ongoing project costs	n/a	11,498	11,498
NEW Ongoing Sub Total Forecast	0	45,944	45,944
Project Ongoing Costs Sub Total	(60,334)	**£113,942 2020/21 Ongoing Cost Pressure**	174,276

In reflecting the above, Cabinet agreed the following changes to the Council's base budget:

2019/20 Budget (One-off)	£181,754 cost pressure included
2020/21 Budget (Ongoing)	£113,942 cost pressure included

It was also highlighted at the time that the figures were representative of a strategic and fundamental shift from large unbudgeted digital capital cost pressures to ongoing digital revenue pressures, which was outlined as a strategic goal in the February 2018 report. It is also important to highlight that the delivery of a digital transformation project that spans several years will also introduce a number of risks and may require additional / unavoidable costs to be recognised that are to a large extent outside of the direct / estimated initial project costs e.g. Microsoft licensing costs and changes within the wider digital environment

As part of the on-going review process, the above risks also required a further budget adjustment in 2022/23. As part of developing the 2022/23 forecast / budget, additional unavoidable costs of £120,000 (on-going) were identified. These were therefore included within the 2022/23 budget recently approved by Full Council on 15 February 2022. As set out within the associated budget reports, the increase in costs reflected the 'natural' growth in the provision of digital services and included licences, data costs and the hardware replacement programme.

As highlighted earlier, it is very difficult to isolate additional costs directly to the original scope of the project, as the digital word is ever changing and evolving with the increase in costs set out above therefore reflecting this position. However, within this context it is important to highlight that the digital transformation programme has delivered resilience to the previous approach of maintaining significant in-house digital equipment, which in itself would have also presented significant costs pressures over time through upgrading and replacing. It is also relevant to consider and acknowledge the 'step change' business continuity that the council has achieved and demonstrated during the past two years where other councils have failed to maintain uninterrupted service delivery. Our strategic digital transformation programme has been a key enabling factor in this regard.

In terms of the ever-changing digital environment, the Council continues to be faced with increases in cyber-attacks. These present significant risks to the Council. If an attack was successful the remedial works required would inevitable be very time consuming and costly (Redcar and Cleveland council report cyberattack recovery costs exceeding £10 million).

With this in mind, the service are looking at potential restructuring opportunities to provide more dedicated resources to respond to the ever increasing risk from cyber-attacks along with working with DLUHC to identify opportunities to build in extra resilience across the Council.

In terms of the latter point, a number of projects have been identified which include the following:

- Microsoft Office 365 Cybersecurity & Conditional Access Improvements
- Cybersecurity Review and 'immutable' Backup Data Protection
- Cybersecurity Threat Dashboard
- Cybersecurity vulnerability scanning tools
- Replacement of a soon to be unsupported key applications
- Internet & Intranet re-design, hosting & support

The total cost of the above projects is estimated to be £190,000, which DLUHC are supporting with a one-off grant of £150,000. The balance of £40,000 is being met by a further external grant contribution, which was set out in the Q3 Financial Performance report presented to Cabinet on 25 February 2022.

Project Timescales / Quality
Programme deliverables against time and quality are summarised in the following table along with other financial considerations, with further details provided in **Appendix A**:

Programme Element	Time	Other Financial Considerations	Quality
MyTendring Self-service portal	✗ Programmed works completed 15 months late due to diverting IT resources to support council operations during COVID-19. ✗ Alternative self-service deliverables became higher priorities e.g. local economy COVID grants self-service enablement.	✓ Estimated staff efficiency savings exceeded. ✓ Estimated non-staff ROI savings exceeded.	✓ 19,382 registered subscribers use the service (Jan'22) with growth forecast to 24,000 MyTendring accounts by June'22 - one in three Tendring households. ✓ 19,400 customer self-service requests raised during the last 12 months. ✓ *MyTendring* service users rated their service satisfaction at 4.6 stars out of 5 stars average or 92% very satisfied. ✓ Significant COVID-19 council service business continuity enabler. ✓ Key local economy business grant supporting access channel – over 4,500 *MyTendring* self-service grant applications processed. ✗ Online Council Tax balances not accurately achievable without additional investment.
Cloud Migration	✗ Completed 12 months late for reasons as outlined above.	✓ Estimated savings achieved.	✓ Enhanced business continuity demonstrated during the COVID-19 pandemic supporting overnight migration to home working for 600+ employees and Tendring services delivered near seamlessly. ✓ Evolving Microsoft <u>Cloud-only</u> cybersecurity enhancements proven. ✓ Ongoing data storage growth achieved seamlessly.
LoveTendring App	✗ Completed 3 months later than initially planned following further investigations requested by Cabinet as part of the decision making progress.	✓ Cost savings have resulted from in-house App re-engineering and new council day-to-day support.	✓ New council in-house skills with proven efficiency, cost savings and business support application developer skills. ✓ Re-engineered and re-launched *LoveTendring* App achieved 1,351 downloads between July – Aug 2021. ✓ Re-engineered functionality far exceeds the 2018 scope. ✓ App promotes beaches district-wide ✓ Further information/ reporting developments are planned in 2022 to enhance the App and promote tourism yet further.

POTENTIAL FURTHER INVESTMENT OPPORTUNITIES
As part of reviewing the existing digital transformation project and any outstanding issues highlighted within the table above, a number of potential options for further investment are being explored. Further details are set out in **Appendix B,** which will be considered for progressing via the Corporate Investment Plan. As part of developing new projects and initiatives, these will be considered against the IT Strategy, which is planned to be reviewed during 2022/23, but will continue to reflect the following high level objectives: • Simplified Digital Access for all • 'Cloud First' approach • 24/7 Access via *My Tendring* Portal & Website • In-house App Development • Digital Transformation though modernisation / innovation • Delivery Value for Money • Collaborating and Sharing • Cyber Security and Governance

BACKGROUND PAPERS FOR THE DECISION
Report of the Portfolio Holder for Resources and Corporate Services Digital Transformation – Cabinet 16 February 2018. Report of the Portfolio Holder for Resources and Corporate Services Digital Transformation – Cabinet 13 September 2019.

APPENDICES
Appendix A: Digital Transformation Programme Phase 2 Performance Details *Appendix B:* Digital Transformation programme - Potential Further Investment Opportunities

REPORT CONTACT OFFICER(S)	
Name(s)	(1) **John Higgins** (2) **Mark Westall**
Job Title	(1) **Head of IT & Corporate Resilience** (2) **Head of Customer & Commercial Services**
Email/Telephone	(1) **jhiggins@tendringdc.gov.uk** (2) **mwestall@tendringdc.gov.uk** (1) **(01255) 686 339** (2) **(01255) 686 484**