

COMMITTEE	Strategic Transformation Committee
DATE	4 th October 2017
REPORT TITLE	Transformation Portfolio Budget Report
LEAD OFFICER	Steven Whyte, Head of Finance
REPORT AUTHOR	Sandra Buthlay

1. PURPOSE OF REPORT:-

- 1.1 The purpose of this report is to provide details of the budget available for transformation, how this budget can be accessed, how spend will be monitored and reported and how benefits realisation arising from transformation will be monitored.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:

- a) Agree the allocation of £250,000 from the Transformation Fund for initial set up costs;
- b) Agree that the Head of Finance be provided with delegated authority to approve requests for spend against the £250,000 budget in recommendation (a) and reports back on the use of this budget to this Committee;
- c) Agree that the costs of the Transformation Lead be met from the Transformation Fund going forward;
- d) Note the current uncommitted balance against the fund, subject to approval of recommendations within the various reports on this agenda; and
- d) Otherwise note the contents of this report.

3. BACKGROUND/MAIN ISSUES

- 3.1 The establishment of a £15 million transformation fund, through the reallocation of existing earmarked reserves, was agreed by Council at its meeting on 23 August 2017, on the basis that this investment will be “refunded” as part of the transformation portfolio within 5 years.
- 3.2 In order to meet initial set up costs across the various transformation boards it is requested that an allocation of £250k be made from the overall fund, with access to these monies being through written request from Programme Sponsors to the Finance and Commissioning Control Board. It is recommended that delegated authority be provided to the Head of Finance to consider and approve such requests.

- 3.3 Requests for funding will be through business cases from individual delivery boards which are reviewed by all control boards prior to consideration by the Transformation Management Board and thereafter this Committee. It will be for this committee to approve business cases and the allocation of funding from the overall transformation fund. As reported to the Council meeting on 23rd August 2017, any investment must be able to provide a return on the expenditure incurred and through a benefits realisation assessment, it will be determined whether releasing funds provides a suitable return (which may be assessed as a ratio of, for example, 1:3 or for every £1 invested a saving of £3 will be realised).
- 3.3 A number of requests for the approval of funding are contained within this and other reports on the agenda. These have been captured and are detailed in Section 4 below.
- 3.4 Actual spend against the transformation fund will be monitored and reported by the Finance and Commissioning Control Board through the transformation governance route and ultimately reported to Finance, Policy and Resources Committee as part of the Council's Quarterly Financial Statements.
- 3.5 Benefit realisation will be monitored through modification of the already established savings tracker.

4. FINANCIAL IMPLICATIONS

- 4.1 The establishment of a £15m transformation fund was agreed by Council at its meeting on 23 August 2017.
- 4.2 Current commitments against that fund are detailed below:

Transformation Portfolio Budget			
	£'000	£'000	Notes
Transformation Fund		15,000	1
Commitments to Date:			
Initial Set Up Costs	250		2
Digital Partner	4,500		3
Digital Pilot x2	100		4
Fleet & Mobility	150		3
Facilities Management	150		3
Assets	150		3
Transformation Lead (est.)	188		2
Total Commitments		5,488	
Uncommitted Balance		9,512	

Notes

1. As approved by Council on 23rd August 2017.

2. Subject to approval of the recommendations contained within this report. It should be noted that expenditure to date in relation to the Transformation Lead is £36,000 (met from existing Corporate Governance budgets) and has been secured through a National Framework Agreement and is fully compliant with procurement regulations.
3. Subject to the approval of the recommendations contained within items 4.2, 7.1, 7.2 and 7.3 of this agenda.
4. Subject to the approval of the recommendations contained within item 4.1 of this agenda.

4.3 Costs Incurred to Date

- 4.3.1 Item 4.1 on this agenda provides details of the progress on the Being Digital strategy which was previously approved and reported through the Finance, Policy and Resources Committee. Expenditure to date against this budget is £1.170m on projects and are detailed within the table below (and met from previously approved Council budgets):

	2016- 2018 Actual
Project	£'000
Master Data Management	58
Content Management System	149
Customer Experience Platform and Services	234
Collaboration Tools	114
Infrastructure, connectivity and security	401
Digital Roadmap	58
Training, development and shared services	156
Total spend to date:	1,170

- 4.3.2 A number of work packages have been commissioned externally from PwC (Price Waterhouse Cooper) with expenditure and commitments to date across these of £560,000. The utilisation of PwC is secured through a National Framework Agreement and is fully compliant with procurement regulations. These work streams have been funded through existing budgets (and not the £15 million Transformation Budget).
- 4.3.3 The table below indicates the work streams that have been commenced and the total spend for each stream. As any work stream is commissioned it is critical that the return on investment is understood. The table below therefore indicates the minimum and maximum estimated level of return on investment that can be expected.

4.3.4 The table also includes an indicator in the final column of the status of each work stream. These are:

- Budget Process – the key decision point will be as part of the budget process and will be made by Council;
- Move to FBC – This indicates that the outline business case indicates sufficiently high returns to warrant moving to full business case (these 3 items are on today's agenda);
- Strategic Plan – this indicates that the work stream is related to the Strategic Plan and will continue to inform decision making through the budget process.

4.3.5 What the table below shows is that for this first set of work streams the Council can expect an investment return of between 1:19 to 1:35 which indicates an early payback period and that **significant in-roads can be made towards achieving a balanced budget for 2018/19 as this significantly reduces the anticipated funding gap previously reported to Council.**

Target Operating Model Activity	Spend to Date £'000	Est. Min. Return £'000	Est. Max. Return £'000	Current Status
Commercial Income	90	500	1,000	Budget Process
Pre Work Commissioning/Contract Review Outline Business Cases (cost and benefit combined):	120	4,600	6,500	Budget Process
- Assets)				Move to FBC
- Fleet)	85	3,440	8,600	Move to FBC
- Facilities)				Move to FBC
Strategic Plan Business Support	265	2,200	3,350	Strategic Plan
Total	560	10,740	19,450	
Spend to Save Ratio (Spend:Return)		1:19	1:35	

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 Every organisation has to manage the financial risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by services and corporately by Elected Members. This report is part of that framework and has been produced to provide an overview of current transformation spend and so financial risk related to this report is considered to be low.

7. IMPACT SECTION

Economy

- 7.1 Investment in the City will have a positive impact on the economy.

People

- 7.2 Robust management of the council's finances will ensure that council services can continue to be provided

Place

- 7.3 Investment will enhance the place by creating a better and more vibrant city in which to live.

Technology

- 7.4 There are no direct implications on technology arising from recommendations in this report.

8. BACKGROUND PAPERS

None

9. APPENDICES

None

10. REPORT AUTHOR DETAILS

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