

Digital Transformation Program

Originating Officer General Manager Corporate Services - Sorana Dinmore

Corporate Manager N/A

General Manager Chief Executive Officer - Tony Harrison

Report Reference GC210608F01

Confidential ☒

Confidential Motion

That pursuant to Section 90(2) and (3)(a) of the *Local Government Act 1999*, the Council orders that all persons present with the exception of the following persons, Chief Executive Officer, General Manager Corporate Services, General Manager City Services, General Manager City Development, Manager Finance, Manager Corporate Governance, Unit Manager Communications, Unit Manager Governance and Council Support, and Governance Officer be excluded from the meeting as the Council receives and considers information relating to the Digital Transformation Program, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to Digital Transformation Program staff resource requirements.

REPORT OBJECTIVE

The purpose of the report is to update Council on the forecast budget requirement for the One Marion - Digital Transformation Program (DTP) and for Council to consider a request for the additional funding forecast to complete the 12 project transformation program.

EXECUTIVE SUMMARY

The Digital Transformation Program is aiming to equip Council and Administration with best of breed digital systems, to deliver customer centric services to our ratepayers and residents. It is the largest business and IT systems program undertaken by CoM to date and will replace the majority of systems currently used, including our finance system, our customer events system, etc.

At its core is a project to develop the digital literacy and cyber security awareness of Administration staff, elected members, and in collaboration with our libraries and neighbourhood centres, our residents. Our customer relationship management system (CRM) will provide us with a single view of customer, while allowing our ratepayers and residents to conduct business, request services and engage with us from anywhere, at any time, with any device.

A key feature of the new cloud based systems is that we are pursuing integration between them to support less time spent on entering data repeatedly, as well as enriching the

information from one system with that of another. The CRM will integrate with our new financial system, as well as the asset management system. Further integration is proposed for the outsourced payroll and human resources information systems with the CRM and finance to create a baseline for extracting all required information to shift us towards becoming a data led organisation, able to accurately benchmark and measure our performance and outcomes, through the use of business intelligence and data analytics tools.

To date, this transformative program has been managed within existing budgets and Council were only asked to approve minimal additional staff. Considerable effort in recruitment was undermined by difficulties attracting external high calibre candidates, while some of the internal resources have not been able to up skill as quickly as required. The more detailed work around planning of the projects has also occurred and is continuing for some of the projects. The below paper is asking Council to consider funding and staffing numbers to complete the program.

RECOMMENDATION

That Council :

- 1. Note the additional funding requirement of \$2.315m (including \$300k contingency) outlined in this report required to deliver the full scope of the One Marion - Digital Transformation Program over financial years 2021/22 and 22/23.**
- 2. Endorse an allocation of \$1.142m in 2021/22 to be funded from identified savings realised from the 2020/21 financial year.**
- 3. Endorse an allocation of \$1.173m to be incorporated into the 2022/23 Annual Business Plan, noting that if savings are identified these will be used before the funding is accessed.**
- 4. Note the additional identified 4.67 FTE requirement over the next two financial years to support the organisation through this Digital Transformation Program.**
- 5. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the report, attachment and minutes arising from this report having been considered in confidence under Section 90(2) and (3)(a) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2021.**

GENERAL ANALYSIS

Background

The Digital transformation program (DTP) was devised to support COM in meeting its strategic objective of being innovative. The strategy states that by 2040 our city will be a leader in embracing and developing new ideas and technology to create a vibrant community with opportunities for all, by "Developing technology systems which will be the best among SA Councils". The 12 projects forming the DTP together underpin a radical

transformation of the way we work at COM and the way we will deliver outcomes to our residents, while allowing for greater transparency and access.

One Marion Digital Transformation Program (DTP) Budget

The full Program has a scope of 12 projects; a mix of larger and smaller projects, which combined would transform the City of Marion's digital landscape for our customers, residents, Council and staff, by allowing us to put the customer at the centre of what we do. The program was expected to be rolled out over a three-year period, commencing in 2020 and ending in 2023.

The projects are as follows :

COM 1 : Digital Literacy and Cybersecurity Awareness - it aims to equip all staff, elected members and broader CoM residents with the information knowledge to manage new systems and support them through in most digital environments.

COM 2 : Payroll and Human Resource Information System (HRIS) - outsourcing payroll to tender procured system [Aurion](#) and implementing the Aurion HRIS to support our human capital management across the City of Marion, from recruitment, to on boarding and training, performance reviews, exit interviews etc. NEW SYSTEM for HRIS, payroll automates and replaces the manual processes from the CoM Civica Authority.

COM 3: Customer Relationship Management (CRM) - the market leader Salesforce will support our development of a Single View of Customer for our ratepayers and residents. It will replace OpenOffice.

COM 4: Asset Management Information System - the chosen system (in final tender process) is also going to support us to move manual processes and transform them, as well as improve the management of our \$1b worth of assets. The integration with the new finance system will allow for predictive analytics and the integration with the CRM will allow for work orders to be work flowed with less manual intervention and touchpoints.

COM 5: Financial Transformation - the chosen system (in final contract negotiations stage) is a modern, cloud based, financial management system, that will allow for automation of functions and improve access to live financial data and reporting.

COM 6: Microsoft 365 rollout - replacing all on premise version of Microsoft Office with the cloud version and removing all costly on premise servers, supporting our cloud first policy.

COM 7: Sharepoint Intelligent Intranet - improving the records management and access of our staff to CoM wide information as well as changing team sites allowing for automated updates as well as updating content.

COM 8: GIS ESRI - transitioning from MapInfo (end of life product) to the market leader ESRI, product also used by our partner councils CCS and PAE to enable resource sharing.

COM 9 :Data analytics - supporting the development of a business intelligence and data analytics function that automates service reviews and reporting, provides insights into data based decision making and transforms the organisation to data led and measuring outcomes and performance in real time.

COM 10: Unified Communications -replacing our ageing PABX infrastructure with a cloud based modern system, allowing for integration into CRM, portability and also audio recording for record keeping, training and coaching purposes.

COM 11: Devices List and Management - replacing leased devices with owned devices which at the end of their corporate life can be deployed into the community through connections with the Digital literacy project. Considering segmenting the COM staff cohort to support all staff to access the cloud based systems with a cost effective device.

COM 12: AV access in meeting rooms - allowing for all CoM meeting rooms to be equipped with a screen and Meeting Owls to support blended meetings, reduce the travel time for some staff, which in turn reduces vehicle use and time lost driving.

A summary of the above is also available on the Extranet :

<https://www.marion.sa.gov.au/extranet/news-and-updates/digital-transformation-program> .

The original high level budget was the best estimation possible at the time, with the information and resources available in February 2020 and without in-depth scoping, as that was going to occur over the coming months. With experienced resources, and time for analysis and responses from the marketplace, the budget requirements for the scope of the program are fully appreciated.

Of note also is that similar projects scoped and resourced in other local government bodies have much larger budgets and staffing allocations. For example the City of Onkaparinga have been implementing Tech One over the past three years and their costs to date have been over \$10m for the technology alone. While the project has been in train for three years, it is far from complete. Another \$6m are required to be spent on the Tech One platform in addition to staffing costs over the coming years.

The decision to shift away from an expensive to licence and implement ERP such as TechOne or Civica Authority, foreshadowed in the Information Technology Application Strategy devised in 2018-19 will mean lower cost during implementation and subsequently. Alignment with market leaders will ensure that we receive support for the products we use beyond what we would be able to afford internally and maintain, as well as increased security.

Considering the scope of the DTP, the costs associated with the program, and the licensing for the best of breed programs we are proposing to use are low. They are much lower than previous programs run by the City of Marion, for example, the transition from LotusNotes to Microsoft Office cost us over \$2.3 million. That is more than the budget forecast to implement the new finance system, as well as the asset management system. We have run the program lean and will continue to look for savings at every opportunity, to maximise the value of every dollar for our community.

Internal resourcing for the program

A Council decision on additional staffing to support the roll out was made in May 2020 (GC200526RO5). This decision added a shared Chief Data Officer (with the Cities of Charles

Sturt and Port Adelaide Enfield), a shared data analyst, two full time business analysts and two full time project managers to a pool of internal resources.

An expectation that internal resourcing can be applied to the program has proven unsuccessful, as the required skills are not available within the existing IT staff cohort, who traditionally relied on external contractors and consultants to manage workload. More scrutiny applied to internal work practices has resulted in savings which have been harvested for the program (see for example the savings achieved by the Microsoft E5 licence uplift and removal of Mimecast, TrendMicro etc), however the upskilling of internal resourcing is taking significantly longer than expected.

This internal capability and capacity have caused the program to be delayed (as of 24 May 2021 – approximately 6 to 12 months). Delays can also be attributed to the fact that, despite having received additional staffing approval, repeated recruitment attempts were unsuccessful (for examples 4 times for a business analyst) or took a great deal longer than expected. Market demands (post Covid) have seen an increase in businesses hiring for digital transformation projects. This, coupled with the lower than market expectation salaries on offer by the City of Marion, has contributed to these outcomes.

DISCUSSION

This request for additional funding is based on a revised forecast of the resources required to deliver the full scope of the Program.

The current request is to supplement the above with a full-time data analyst (business intelligence resource), two business analysts, a project manager, and an IT helpdesk partner.

At the program level, we also require the support of an enterprise architect, continued engagement of the program manager, a six-month extension for the senior project manager CRM and a short-term contract for an instructional designer.

Future licensing costs to meet operational needs will be incorporated into Council's Long-Term Financial Plan and Annual Budgets as they become known. During the transition from our legacy systems there will be a short period running parallel systems and a requirement to fund the continuation of some legacy system licence fees in addition to new system licence fees during implementation.

FTE Impact

To deliver the DTP and support the organisation through this digital transformation an additional 4.67 FTE requirement over the next two years has been identified, currently not included in the draft 2021/22 budget and LTFP. The additional FTE for the DTP are a short term resource required over the next 2 years for this timed program.

Details of the resource requirements are set out in Attachment 1.

Financial Implications

The current available budget to complete the DTP is \$5.446m. In reviewing the current program budget with experienced resources and following market responses, the budget

requirements for the scope of the program have become fully appreciated.

There is a forecast increase in funding of \$2.315m (including added contingency of \$300k) required over the FY 2021/22 and FY 2022/23 to deliver the full scope of the program. This includes year one licence fees for new systems being implemented, in addition to the continuation of some legacy system licence fees during implementation and the identified resource requirement outlined in attachment 1.

Budget Contingency:

It is general practice to run a contingency of 5% to 10% in Programs / Projects this size. A contingency of approximately 4% (\$300k) over the next two financial years has been incorporated into the project budget. The contingency is on the leaner side in keeping with the principles behind maximising the community value for every dollar spent. Often IT projects run over budget and over time. While there have been circumstances that have pushed us to run over time with some of our projects, once resources were applied we have been able to recoup the losses. Through intense negotiations we have come under budget for the CRM licensing as well the newly approved financial systems licensing.

The intent of a contingency is to fund unknown shortfalls as they arise during the life of the Project / Program. An example, is the increased cost of recruiting Business Analysts due to four rounds being required was unforeseeable.

The contingency expenditure will have transparency and require authorisation at ELT via the existing governance structure.

Of note is that additional savings, will be identified once business analysts are able to complete the benefits realisation aspects of the program. A possible example of further savings, which when achieved will be fully allocated before additional funds are used, would be that at the City of Tea Tree Gully, once the CRM was operational, rates notices were no longer posted (at a cost of approximately 400,000), but rather emailed. Our two population cohorts are similar, so even if a smaller number of our ratepayers elect the email option there will be savings from postage costs.

The budget implications are detailed in the table below.

Digital Transformation Budget						
ACTUAL / FORECAST (Program and IT Labour changes)			2020/21	2021/22	2022/23	Total
IT labour and DTP labour costs differential to be funded	LABOUR			\$ 1,244,319	\$ 713,303	\$ 1,957,622
Digital literacy and cybersecurity awareness	COM1		-	-	\$ -	\$ -
Payroll & HRIS	COM2		\$ 43,850	\$ 255,467	\$ 145,600	\$ 444,917
CRM System	COM3		\$ 118,405	\$ 260,060	\$ 165,176	\$ 543,641
AMIS	COM4		-	\$ 740,000	\$ 160,000	\$ 900,000
Financial Transformation	COM5		\$ 158,795	\$ 950,000	\$ 350,000	\$ 1,458,795
Microsoft365 Rollout	COM6		\$ 306,530	\$ 280,755	\$ 254,211	\$ 841,496
SharePoint transfer-intelligent intranet	COM7		\$ 19,292	-	-	\$ 19,292
GIS - ESRI transition	COM8		\$ 300,938	\$ 220,000	\$ 150,000	\$ 670,938
Data Analytics	COM9		-	\$ 600,000	-	\$ 600,000
Unified Communications	COM10		-	-	-	\$ -
Devices list & management	COM11		-	\$ 690,770	-	\$ 690,770
AV Access in meeting rooms	COM12		\$ 64,736	-	-	\$ 64,736
Project Budget Contingency			\$ -	\$ 219,009	\$ 80,991	\$ 300,000
Total Forecast Expenditure	A		\$ 1,012,546	\$ 5,460,380	\$ 2,019,281	\$ 8,492,207
Savings - System, FTE, Other	B		\$ 111,054	\$ 143,335	\$ 476,587	\$ 730,977
Total Forecast Budget Required	C		\$ 901,492	\$ 5,317,045	\$ 1,542,694	\$ 7,761,230
Budget Available			2020/21	2021/22	2022/23	Total Budget
Budget Available	D		\$ 3,580,920	\$ 1,495,000	\$ 370,000	\$ 5,445,920
Funding Position Surplus / (Deficit)	D-C		\$ 2,679,428	(\$ 3,822,045)	(\$ 1,172,694)	(\$ 2,315,310)
Funding Available for Carry Over			\$ 2,679,428	\$ 2,679,428	\$ -	\$ -
Net Project Budget (Deficit)			\$ -	(\$ 1,142,617)	(\$ 1,172,694)	(\$ 2,315,310)

Attachment

#	Attachment
1	Attachment 1 - DTP Resource Requirement

Attachment 1

Original	New request	Justification
n/a	Enterprise Architecture	Integrating multiple systems requires a specific skill set we do not currently have. Our cross-council partners each have an enterprise architect on their staff, but they are not available for more than a few hours to support CoM. It is proposed that an external consultant be contracted for a short period of time.
2 x Senior Project Managers	One additional Project Manager	Major IT systems require a Senior Project Manager. We have 4 major system transformations running concurrently in this program.
2 already approved BAs	Two additional BAs	As business intelligence and analytics was not traditionally seen as required internally, the City of Marion does not have these skills inhouse. The program requires significant BA work across the program to support business process improvement, process mapping and analysis of current and future state.
Program Manager (initially in the IT manager role)	External Program Manager	The combined role of DTP PM and IS Manager did not work due to overload and capability, this has prompted a rethink in 2020 and an external experienced resource was added. Due to the governance requirements for the program and the successful delivery to date, it is recommended that we renew the external Program Manager for the 2021/22 year.
1/3 FTE Business Intelligence/Data Analyst (XC)	Additional 2/3 FTE Business Intelligence data analyst	Shared resource across 3 councils may not give us the immediate improvements to Data and reporting required by Program / Leadership, which has prompted the consideration of an increased commitment. Over time they may work across the three councils', case in which we will be able to recover costs.
Help desk	One Additional helpdesk partner	To support the organisation and program delivery through this digital transformation we require a skilled resource to complement the two interns and the existing helpdesk partner.
Senior project manager	Senior project manager CRM	An additional period of up to 6 months to support the CRM rollout is recommended for the externally contracted PM.
GIS ESRI resource	External GIS ESRI contractor	The current contractor employed is supporting some of the integration work and therefore an extension of his engagement is deemed required for 6 months.
Senior Project Managers (2) and Business Analysts (2) - Approved May 2020	Required salary uplift to attract required skills and capability	Having gone to market a number of times it was evident that the forecast salary on offer would not attract the required skills and capability for the project . The required increase to support these 4 positions over the next two years is requested.