



Cabinet
19 June 2017

**Report from the
Strategic Director of Resources**

For Action

Wards Affected:
[ALL]

Joint ICT work with London Borough of Southwark

1.0 Summary

1.1 This report sets out proposals for extending the ICT Shared Service for the London Boroughs of Brent and Lewisham to the London Borough of Southwark by 1st November 2017.

2.0 Recommendations

2.1 That the Cabinet notes the work undertaken to: complete the identified due diligence activities, sign up to an Interim InterAuthority Agreement dated 30 March 2017 and ongoing work to develop the more detailed inter-authority agreement and to assure the viability of a three-way shared ICT service since approval in principle was given to work with the London Borough of Southwark to expand the shared service.

2.2 Approves the establishment of a three-way shared ICT service with the London Borough of Lewisham and the London Borough of Southwark and the delegation from Southwark Council to Brent (as the primary host authority in the Shared Service with London Borough of Lewisham) of the delivery of ICT services within the agreed scope and with a planned service commencement date of 1 November 2017.

2.3 Delegates authority to the Strategic Director of Resources to agree the final terms of the inter-authority agreement for accession of Southwark into the existing Shared Service and for the operation of the 3-way Shared ICT Service.

- 2.4 Notes that officers in Southwark and Lewisham are presenting reports to their respective cabinets in relation to this delegation and future shared ICT service. Notes that a report will be brought to a future Cabinet meeting of Southwark Lewisham and Brent councils to give update on transition reporting with future reporting as required by the respective cabinets. The Southwark Cabinet Report will be published with the agenda for the 20th June Cabinet meeting on the London Borough of Southwark website here:
<http://moderngov.southwark.gov.uk/ieListMeetings.aspx?Committeeld=302>
- 2.5 Agrees to reconstitute the Joint Committee established by Cabinet decision on 26 November 2015 to include the London Borough of Southwark to support the governance arrangements of the shared ICT service as detailed in this report.
- 2.6 Notes that the joint committee will consist of two elected members from each council and that Brent will be represented on that committee by two members.
- 2.7 Agrees the draft governance arrangements as outlined in Appendix A.
- 2.8 Notes that Brent will manage ICT procurement for all three councils within the agreed scope and in accordance with agreed procurement protocols.

3.0 Detail

- 3.1 The Cabinet approved a report in February 2017 recommending that officers work with the London Borough of Southwark towards expanding the Brent & Lewisham ICT Shared Service to Southwark by 1st November 2017.
- 3.2 As set out in the February 2017 report to cabinet, an Interim Inter Authority Agreement was entered into by the three councils and due diligence work was undertaken over an eight-week period with the purpose to accumulate sufficient information to validate the proposed costs, business benefits and risks arising from incorporating the London Borough of Southwark into the shared ICT service.
- 3.3 Due diligence work included:
- review of ICT services provided by Southwark's current IT Managed Service provider and other third party licences, support and maintenance contracts.
 - review of Southwark's current infrastructure environment including hardware, software and serviceability.
 - collecting and analysing information critical to the London Borough of Southwark's successful transition into the shared ICT service and the subsequent on-going 'business as usual' operations. This included; identification of current and/or potential issues, problems, risks or liabilities that could impact on the proposed transition to the shared ICT service in terms of time, cost, performance, service stability or supportability and the development of appropriate mitigations.

- development of resource plans of sufficient detail as to provide assurance that resource requirements for transition and migration phases have been correctly assessed and can be recruited to and that, based on the current known position, technical transition activity plans and budget forecasting is robust.

3.4 The output of due diligence includes:

- a detailed and costed report with associated supporting material which provides appropriate assurance as to the work required for Southwark to transition into the shared service including the underpinning assumptions and key dependencies.
- a detailed and costed register of contracts including planning for contract treatment during the transition period.

3.5 The due diligence work identified no major surprises and resource, time and cost estimates are all within officers' expectations.

3.6 Members are advised that due diligence and related planning and preparation activities will continue through to service commencement. This will enable service knowledge, detail and documentation to be further refined and will ensure that changes to services prior to the service commencement date are recorded and incorporated into transition plans.

3.7 Both Brent and Lewisham have realised cashable savings through shared service efficiencies and economies of scale. Both are now actively seeking to expand the service and/or to supply ICT services on a shared basis as a way of lowering costs further or generating income.

3.8 Through Southwark joining the shared ICT service Brent and Lewisham will make a further annual saving on their respective ICT costs. In addition, each of the three authorities will achieve significant benefit through increased efficiency and economies of scale including:

- A larger pool of technical resource providing increased resilience for the business as usual (BAU) service and additional resource to effect change.
- Shared cost of joint developments – potentially lowering cost for development activity by two-thirds when compared to each authority separately undertaking the same work.
- Shared support of common applications with opportunity to rationalise, consolidate and share applications.
- Shared infrastructure – enabling more efficient and cost effective capacity management and increased resilience.
- Efficient procurement – leveraging our increased size and undertaking procurements on behalf of all three authorities.
- Shared risk.
- Shared best practice.

- 3.9 The identified benefits align with the councils' shared objective to "enable the three councils to maximise the use of digital technologies to transform themselves into responsive, efficient and cost-effective organisations".
- 3.10 If this report is approved the three councils will negotiate and agree final terms and enter into a fuller form of inter-authority agreement for the three-way shared ICT service. A joint committee and joint management board will be formed and the transition plan activities progressed. It is intended that this inter-authority agreement and the new governance arrangements will supersede the Interim Inter Authority Agreement dated 30 March 2017 made between the three councils but will not supersede the Council's accrued rights and obligations under the current Collaboration Agreement with Lewisham to the extent that the latter needs to remain enforceable in relation to TUPE and other accrued and ongoing rights and obligations from the two party collaboration agreement..
- 3.11 Prior to service commencement (1 November 2017) due diligence work continues to be undertaken to improve documentation and knowledge of the service being taken on. The shared ICT service will increase the capacity of their in-house team and ICT infrastructure to accommodate Southwark's ICT requirements and TUPE related activities will commence.
- 3.12 As set out in the February report to cabinet, the principal objective of the shared ICT service is to "enable the three councils to maximise the use of digital technologies to transform themselves into responsive, efficient and cost-effective organisations". The common aim of the councils is that by 2020 the ICT service will have achieved the strategic outcomes described in the table below.

<u>Primary outcomes</u>	<u>Secondary outcomes needed to achieve primary outcome</u>
Building a solid platform for transformation	<ul style="list-style-type: none"> • Building a modern, common infrastructure that partners can rely on. • Generating more innovation by investing together to make the most of technology. • Creating shared strategies and roadmaps, with the flexibility to reflect local needs.
Delivering a quality service	<ul style="list-style-type: none"> • Providing a reliable, quality user experience. • Delivering constant improvement by keeping service levels and processes under review. • Building a talented team with a great reputation for supporting the business of each partner.
Providing great value-for-money	<ul style="list-style-type: none"> • Maximising economies of scale, taking a common approach where practical and beneficial. • Offering affordable services that compare well with other providers. • Benefiting by sharing the cost of investment in new developments.
Forging a lasting partnership	<ul style="list-style-type: none"> • Acting as a partnership of equals that everyone benefits from. • Delivering greater resilience by sharing and mitigating risks. • Offering each partner more capacity and capability by pooling resources and knowledge.

- 3.13 The strategic outcomes referenced in Table 1 are underpinned by the agreed partnership principles and future behaviours that address and enable the opinions and expectations of all three councils and are set out in full in Appendix B (Partnership Principles).
- 3.14 The initial evaluation and subsequent due diligence has identified clear synergies in our business and operational requirements. These will form the basis for close collaboration on ICT and digital strategies and future opportunities for shared development programmes.
- 3.15 It is recognised that whilst sharing strategy where possible will be of benefit to all, there are local business requirements which necessitate that each authority retains overall sovereignty of their strategy. The shared ICT service will therefore develop to maximise efficiencies and commonality in services where possible whilst maintaining flexibility.
- 3.16 Supporting our shared strategic outcomes the service strategy is to continually improve service quality whilst reducing cost. The partners recognise that whilst there is much that can be achieved within the new three-way partnership it is likely that to achieve the efficiencies required is likely to

require further growth, albeit that growth will need to be at a pace which does not create unnecessary risk to the service.

- 3.17 All three councils have existing risk management strategies and associated methodologies. It is not proposed to change these however work will be undertaken to align them such that as far as practical we have a shared approach and common understanding of risk. This will enable partners to:
- Identify risks and bring consistency in understanding as to the risks services face;
 - Prioritise response to risks – Highlighting urgent and common problems and possible solutions.
 - Eliminate issues from the risk & assurance registers and add value back into the business
 - Benchmark risks across the shared ICT service.
- 3.18 The head of shared ICT service will report to the joint management board on the aggregate risk profile of the service.
- 3.19 The three councils will remain individually responsible for ensuring that an effective risk management strategy is in place, that it is subject to a formal review process and that there is a robust framework in place to identify, evaluate and control risks.
- 3.20 Service managers remain responsible for the effective management of risk within their service area and ensuring that staff operating within their service adhere to the best practice principles of risk management.
- 3.21 The key risks associated with accession of Southwark into the existing Shared ICT Service arrangements, establishing the 3-way shared ICT service, transition and service delivery are highlighted in Appendix C (Risk Register).

4.0 Financial Implications

- 4.1 All project work, including the procurement of IT hardware and software and recruiting interim staff to provide additional capacity or backfill any existing shared service staff working on the transition project, will be funded in full by Southwark.
- 4.2 Financial principles are set out in the inter-authority agreement and define the way in which costs for the ICT Shared service are apportioned to each of the partnership councils. They have been designed to be simple and will be underpinned by a culture of fairness and cost transparency. The six financial principles are:-
- i. The setting of each councils' ICT budget is a decision reserved for each authority.

- ii. Each authority understands that changes to their ICT budget may impact upon the ICT Shared Service and/or the other partners. Each will therefore work in a spirit of trust and collaboration to minimise any adverse impact as a result of changes to budget.
- iii. Each authority accepts that expenditure may increase as a result of inflation, wage settlement or other factors beyond the control of the primary host authority. Each authority will therefore reasonably commit to funding their apportionment of any such agreed increase in cost.
- iv. The partners understand that the effectiveness of the ICT Shared Service is underpinned by forward planning and financial stability and that this may be best supported by a multi-year budget setting period.
- v. The partners understand that changing use pattern, consumption or volume of ICT services may not result in an immediate or any realisable saving. Consequently, changes or reductions in budget apportionment may rely on actual savings being achieved and should not generally result in increased cost to the other partners.
- vi. The partners accept that the ICT Shared Service is effectively an in-house team. Consequently, cost risks associated with such a delivery model will be apportioned to the partners in accordance with these financial principles if and when they arise.

4.3 The majority of costs incurred in the delivery of shared ICT services will be apportioned and recharged to one or more of the partnership councils based on four metrics.

i. User Based:

Costs are apportioned to each authority based on their number of active users of IT services.

ii. Consumption Based:

Costs are apportioned to each authority based on their respective use of the resource being recharged.

iii. Equal Apportionment:

Costs are apportioned with each benefitting authority paying an equal proportion of the cost (either 50% or 33.3%). This metric will most likely be used where two or three councils commission a project which is of shared benefit.

iv. Sole Use:

Resource can be identified as used by a single authority and is therefore recharged to that authority in its entirety.

- 4.4 An exception to the metrics detailed in paragraph 4.3 are specific one-off arrangements for apportioning pension and other liabilities and costs arising from reorganisation activities as a result of staff transferring from Capita to the shared ICT service.
- 4.5 The ICT service requirements of the partnership councils for the coming financial year shall be reviewed annually each autumn by the Joint Management Board. The Joint Head of ICT will consider the budget requirement to meet agreed service requirements for the subsequent financial year and prepare a budget proposal for consideration by the Joint Management Board, ensuring that it is aligned to the funding approved by each of the partnership councils and that where appropriate options are detailed. When agreed by the Joint Management Board a service budget report will be presented to the Joint Committee for their approval.
- 4.6 As would be expected with an in-house service, there is no service credit regime and service quality will be achieved through effective team and individual performance management which will be implemented and overseen by the Joint Head of ICT and assured by the Joint Management Board.
- 4.7 The shared ICT service financial principles and model are set out in detail in Appendix D (Financial Principles for ICT Shared Service).

5.0 Legal Implications

Governance and Legal Compliance

- 5.1 The statutory framework that permits local authorities to establish shared services, the Local Government Acts 1972 and 2000, the Localism Act 2011 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 give local authorities the power to arrange for the discharge of their functions by: -
- Another local authority;
 - The executive of another local authority;
 - a joint committee; or
 - one or more officers of the local authorities concerned.
- 5.2 The proposed delegation and Shared ICT Service will be undertaken in accordance with the statutory framework noted in paragraph 5.1 above under which the Brent / Lewisham shared ICT service was already established. For clarity, Lewisham delegated delivery of their ICT service to Brent and separately Brent and Lewisham delegated the delivery of the ICT service to a Joint Committee that oversees the performance and strategic direction of the

shared service with operational control executed through a joint management board supervised by a Joint Committee.

- 5.3 The London Borough of Southwark now wishes to join in the existing shared service arrangements established under Inter Authority Agreement between Lewisham and Brent and as part of this process the existing joint committee will need to be reconstituted to include provision and adaptation for working with Southwark. Similarly the existing 2 party IAA will need to be revised/adapted and replaced with a 3-way Inter Authority Agreement with adaptations agreed between the 3 partner councils for the new 3-way collaboration . However certain accrued and ongoing rights and obligations from the existing collaboration agreement with Lewisham will need to be preserved eg in relation to TUPE, cost recovery when the new agreement is put in place.
- 5.4 The recommendation in this report is for Brent council to collaborate, host and share services with the London Borough of Southwark as well as with the London Borough of Lewisham for the provision of ICT services as permitted by the statutory framework referred to in paragraph 5.1. The statutory framework allow for a council to delegate one of its functions to another council, as well as allowing two or more councils to discharge their functions jointly by way of establishment of a joint committee. Joint committees can in turn delegate functions to one or more officers of the councils concerned. Decisions of the joint committees are binding on the participating councils. However, subject to the terms of the arrangement the council retains the ability to discharge the function itself.
- 5.5 In accordance with Brent Contract Standing Order 87 Cabinet approval is required to the proposed arrangements. The formal collaboration or inter-authority agreement with Lewisham and Southwark Councils will set out the respective duties and liabilities of the three parties in relation to the proposed arrangements.
- 5.6 The delegation will be undertaken in accordance with the statutory framework through the inter-authority agreement (IAA) which will set out the governance framework under which the shared ICT service will operate. It therefore includes: roles, responsibilities, relationship and governance of the shared service partners, financial principles and service details.
- 5.7 The Council's executive arrangements allow the Cabinet to establish joint arrangements with other councils including the appointment of joint committees. The shared ICT service will be governed by a joint member committee. Each authority will have equal representation with two members from each council entitled to attend meetings of the joint committee. Each council will have equal voting rights but, as a matter of law, the Chair will have a casting vote.

- 5.8 A joint management board reporting to the joint committee will be established. This management board will have director and management representation from each of the partner councils. It is expected to meet monthly to oversee service delivery performance, agree priorities and allocation of shared resource and monitor budget. One senior officer from each council (or someone deputising for that officer) will be able to jointly exercise the decision-making powers formally delegated to those officers.
- 5.9 Appendix A outlines the new governance structure and the terms of reference for the joint committee and joint management board will be incorporated into the final form of detailed IAA.
- 5.10 Decision Making: The IAA sets out the decisions which are “reserved” for each council and those delegated to the joint committee. Decisions affecting the running of the shared ICT service will require unanimity at officer level but at Cabinet member level will require a simple majority, because by law, the Chair of the joint committee will have a casting vote.
- 5.11 It should be noted that the arrangements proposed are not intended to amount to procurement of goods and services within the scope of the EU procurement rules. Instead it is intended that the other councils delegate their functions for delivery of ICT to Brent Council and that the latter as the host council exercises the function in delivering a shared service to all three councils.
- 5.12 The delegation of the ICT service function from the councils includes authority for the shared ICT service to undertake procurement of ICT goods and services which will be undertaken in accordance with Brent’s contract standing orders (CSOs) on behalf of the three councils separately and jointly. This will be set out in a schedule to the IAA in the form of procurement protocol rules. The Councils will agree revisions to the existing protocol rules compliant with their respective constitutions and standing orders and the agreed protocol rules will be incorporated in the final form of IAA approved by the Strategic Director of Resources as referred to in recommendation 2.3 above. Existing protocol rules for Shared Service procurements for Lewisham may be retained where procurement reporting is to be in accordance with Lewisham Constitution and standing orders as well as Brent’s.
- 5.13 Brent Council is a London Living Wage employer and imposes requirements for payment of the London Living Wage on its suppliers and service providers where appropriate and legally permissible. Similarly Brent includes within its contract conditions the requirements for its service providers and suppliers to comply with the Employment Relations Act 1999 (Blacklisting) Regulations 2010 to prohibit unlawful blacklisting practices. For the purposes of sourcing locally as permitted by the procurement regulations and directive this will be taken to mean sourcing from firms local to any of the three partner councils.

6.0 Diversity Implications

- 6.1 There are no immediate diversity implications from the recommendations in this report. An equalities impact assessment will need to be undertaken as part of any restructure exercise that may follow the transfer of staff from Capita and Southwark to Brent, when officers know more about the implications to ICT staff in both authorities. It is anticipated however that the joint working is likely to safeguard jobs of ICT staff, achieving the savings required through the sharing of resources with Lewisham and Southwark as opposed to having to delete posts. It is also expected that the shared service will provide a larger pool of technical resources to all three authorities, improving ICT provision to staff and therefore enabling them to deliver a better service to Brent, Lewisham and Southwark residents.

7.0 Staffing/Accommodation Implications

- 7.1 Brent will act as the host authority and will be responsible for employing all staff engaged to deliver the shared ICT service. Separately, each authority will employ ICT staff to deliver a local ICT function.
- 7.2 Brent as the host authority will take-on the existing Southwark ICT service from Capita and provide ICT services to the three authorities. It is estimated that the extended shared service will require an additional 34 staff, taking the team complement to 90 (these numbers exclude an additional 17 staff working in Brent Applications Support, not yet part of the shared service but with plans ongoing to join these staff into the service later this year).
- 7.3 As an on-going service is being transferred it is anticipated that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) may well apply. Staff covered by this legislation and engaged to deliver operational services would potentially transfer from Capita to Brent (as host authority). In addition, it is possible that a small number of Southwark IT staff may also be in-scope to transfer to Brent. Further due diligence and close liaison between HR officers in Brent and Southwark will occur to manage the transfer.
- 7.4 It is noted that ultimately there would be an increase in staff complement across both the local Southwark and shared ICT service teams. Consequently redundancies arising from the proposed changes to the Shared Service and the restructure of Southwark's retained ICT team should be minimised. Indeed, many staff will become part of a larger IT function with increased opportunities for staff development and progression.
- 7.5 Transition planning has included development of a resource and skills plan. Whilst this is comprehensive the exact recruitment requirements will not be known until TUPE activities have concluded. However, considering the staff complement requirement of the shared ICT service team and staff likely to be in-scope for TUPE it is anticipated that there will be a need for additional recruitment to the shared ICT service.

- 7.6 The shared ICT service staff complement includes provision for nine apprentices. Where possible these will be sourced from within each of the partnership councils on an equal basis.
- 7.7 In terms of accommodation implications, it is anticipated that the majority of staff in the shared service will be based at the Brent Civic Centre. This will result in an additional requirement for office space for the Shared Service, and this has been costed in our work so far defining the financial model. Some staff will need to travel between all locations, and officers will have to maintain a small local presence at both Southwark and Lewisham from a rota of staff moving between the authorities.

8.0 Background Papers

8.1 Appendices

Appendix A – Draft Governance

Appendix B - Partnership Principles

Appendix C – Risk Register

Appendix D – Financial Principles

The London Borough of Southwark Cabinet Report title: Shared ICT Service with Brent and Lewisham, to be found with the agenda for the 20th June Cabinet meeting here: <http://moderngov.southwark.gov.uk/ieListMeetings.aspx?Committeeld=302>

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