



Key Officer Decision

Report to the Strategic Director Resources

For Action

Wards Affected:
[ALL]

AGREEMENT OF THE FINAL TERMS OF THE INTER-AUTHORITY AGREEMENT FOR JOINT ICT WORK WITH THE LONDON BOROUGH OF SOUTHWARK

Appendix 1 is Not for Publication

1.0 Summary

- 1.1 This report seeks the agreement of the final terms for the new Inter-Authority Agreement which extends the ICT Shared Service for the London Boroughs of Brent and Lewisham to the London Borough of Southwark from 1st November 2017.

2.0 Recommendations

- 2.1 That the Strategic Director of Resources agrees the final terms of the inter-authority agreement for the accession of Southwark into the existing Shared Service and for the operation of the 3-way Shared ICT Service.

3.0 Detail

- 3.0 In February 2017 the Cabinet approved a recommendation that officers work with the London Borough of Southwark towards expanding the Brent and Lewisham ICT Shared Service to Southwark.
- 3.1 In June 2017 the Cabinet approved 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.

- 3.2 The Cabinet also approved a recommendation that the Strategic Director of Resources agrees the final terms of the inter-authority agreement for the above arrangement.
- 3.3 The proposal to establish the three-way service has subsequently been agreed by the London Borough of Southwark Cabinet and the London Borough of Lewisham Mayor and Cabinet.
- 3.4 Due diligence work carried out prior to the June Cabinet decision 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.
- 3.5 This due diligence and related planning and preparation activities have continued to enable service knowledge, detail and documentation to be further refined and have ensured that changes to services prior to the service commencement date have been recorded and incorporated into transition plans.

Since the June Cabinet decision, the three councils have negotiated and agreed final terms for the new inter-authority agreement for the three-way shared ICT service. A copy of the draft inter-authority agreement is attached as Appendix 1. This includes proposed final terms though is subject to minor drafting amendments. This inter-authority agreement and the new governance arrangements will supersede from its commencement date the Interim Inter Authority Agreement dated 30 March 2017 made between the three councils and the Collaboration Agreement with Lewisham (save in relation to the provisions governing the TUPE/employment of former employees of Lewisham and its previous contractor).

4.0 Financial Implications

- 4.1 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 as set out in the Schedule 8 of the draft inter-authority agreement if and when they arise.
 - vii. Consistent with the ethos that the ICT Shared Service is effectively an in-house team, insurance risk will be shared by the councils as detailed in clause 10 and Schedule 11 of the draft inter-authority agreement.
- 4.2 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.

4.3 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.

4.4 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.

4.5 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.

5.0 Legal Implications

Governance and Legal Compliance

5.1 In June 2017 the Cabinet approved 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 scope and with a planned service commencement date of 1 November 2017.

5.2 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.

- 5.3 The proposed 3-way Shared ICT Service will be undertaken in accordance with the statutory framework noted in paragraph 5.2 above under which the Brent / Lewisham shared ICT service was 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. With the establishment of the 3-way shared ICT service with the London Borough of Lewisham and the London Borough of Southwark, it is proposed that the existing joint committee is reconstituted to include provision and adaptation for working with Southwark. Similarly it is proposed that the existing 2 party inter-authority agreement is 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.
- 5.4 The 3 partner councils have worked together to draft a 3 way inter-authority agreement and attached as Appendix 1 is a copy of the proposed draft agreement, subject to minor drafting amendment. In accordance with the June 2017 Cabinet, the Strategic Director Resources is delegated with authority to agree the final terms of the inter-authority agreement. Appendix 1 contains the proposed final terms of the inter-authority agreement that the Strategic Director Resources should have regard to.
- 5.5 In addition to the Financial Principles (Schedule 8 to the inter-authority agreement) referred to in the Financial Implications, a key provision of the agreement is 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. 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. 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 and will oversee service delivery performance, agree priorities and allocation of shared resource and monitor budget.

- 5.6 The inter-authority agreement 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.
- 5.7 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. Schedule 9 to the inter-authority agreement sets out a procurement protocol . 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.

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 None in addition to those stated in the June 2017 Cabinet report though see Schedule 2 of the inter authority agreement which sets out details as to how Southwark staff and their contractors will transfer to Brent at the commencement of the 3-way shared ICT Service.

8.0 Background Papers

None.

8.1 Appendices

19th June Cabinet Report: Joint ICT work with the London Borough of Southwark

Appendix 1 – Draft Inter-Authority Agreement

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APPENDIX 1

NOT FOR PUBLICATION

This part of this report is not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"

Reason restricted justification:

This Appendix contains commercially sensitive information which relates to on-going discussions between local authorities regarding the terms on which services are to be delegated. The public interest in maintaining the exemption outweighs the public interest in disclosing the information because if this information is disclosed at this time it would, or would be likely to, prejudice the on-going discussions.