

Item No. 9.	Classification: Open	Date: 7 February 2017	Meeting Name: Cabinet
Report title:		ICT Shared Service with Brent and Lewisham	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

FOREWORD - COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

Following a thorough exploration of all procurement routes open to us since the Gateway 0 report in January 2016, I'm delighted to be asking Cabinet to approve in principle that Southwark becomes part of the Brent and Lewisham shared ICT service, for the delivery of ICT services.

The key objective is to establish a stable, resilient and quality ICT service which will deliver modern, reliable, secure, cost effective technology that supports the digital strategy and enables service transformation across the authority.

It will also underpin the modernisation agenda of transforming where and how staff work in order to better serve our customers through implementing the workforce, ICT and workplace strategies agreed by cabinet on 1 November 2016.

This report describes the process that has arrived at this recommendation which has been based on affordability, speed of transition and service solution. It is also time for us to try something different given the 20 plus years of being with various single suppliers which have not delivered in the way we had hoped.

Given this is a new delivery model there will be a need for adjusting to a new way of working for all of us and it is important that we view this as an 'in-house' service for all three boroughs, where we will have a mutual role in its development. To conclude this will give us the ability to deliver the technology we need in order to enable savings and deliver services in a modern way that people expect.

RECOMMENDATIONS

That Cabinet:

1. Notes the outcome of the original procurement process and the work undertaken to consider alternative options.
2. Approves in principle the delegation of the delivery of the ICT service to London Borough of Brent Council as the primary host authority in a Shared ICT Service with London Borough of Lewisham and notes that a further report will be brought to Cabinet to approve delegation in its final terms.

3. Notes the ongoing due diligence process and the development of inter-authority agreements for delegation of the ICT service delivery and which will cover the 3 boroughs obligations, liabilities, insurance arrangements and use of assets in relation to the Shared ICT Service.
4. Approves the entering into a memorandum of understanding with the London Borough of Brent and London Borough of Lewisham (as outlined in Appendix A) and approves the funding of preparatory and transition work at an estimated cost of £3m and entering into an interim inter-authority agreement which will cover the 3 boroughs obligations with regard to the preparatory and transition activities and as further detailed in paragraph 93b and delegates authority to the strategic director of housing and modernisation to agree the final terms of the interim inter-authority agreement(s).
5. Notes that Brent and Lewisham officers are presenting reports to their respective cabinets in relation to this delegation and future Shared ICT Service.
6. Notes that officers will undertake discussions with Capita regarding a further extension of the existing ITMS contract to allow the preparatory and transition activities to be completed.

BACKGROUND INFORMATION

7. In October 2012 Capita was awarded the contract to provide a fully managed ICT service. The contract initially ran from 1 February 2013 for a period of four years, with an option to extend for further periods up to 31 January 2019.
8. The current ICT managed service covers a range of service elements. These can be divided broadly into:
 - i. A business as usual service. Delivering a service desk, service management function and ICT infrastructure comprising over 7,000 fixed and mobile devices and supporting approximately 4,500 staff working at over 100 locations.
 - ii. Programmes and projects. Undertaking and implementing change to maintain the existing service and deliver new and improved services.
9. A pre-procurement strategic assessment report (Gateway 0 - ICT Managed Services Sourcing Options) was received by Cabinet in January 2016. The report identified a number of performance and financial issues and risks with the current ICT service.
10. The report recommended dividing the ICT service into a number of manageable technology and service based 'towers' and procuring these from separate suppliers.
11. In addition to the procurement strategy the report noted that the retained ICT team should be restructured to provide an effective intelligent client function and that applications support functions currently outsourced to Capita should be insourced.
12. The procurement process ran from 21 September to 7 November 2016 and was unsuccessful in attracting a minimum level of interest from suppliers.
13. As a result of the failure to secure tender responses for all towers it was decided to cease the procurement and consider alternative options.

Options evaluation

14. Officers considered the following potential options for future service delivery:
 - Joining the Brent and Lewisham's shared ICT service
 - A direct award through the Pan-London framework
 - A fully in-sourced ICT service
 - Re-procurement with variant SIAM model via a framework
 - Full EU tender with variant SIAM model
 - A framework direct call off with award with a single supplier
 - A further extension of the existing Capita contract.
15. Two options were considered viable and were shortlisted for further evaluation. The two options were:
 - Delegating ICT services to the existing Shared ICT Service between Brent and Lewisham, where Brent would be the host authority.
 - Provision of ICT services procured through the Westminster CC Pan London ICT Services Framework with BT as the primary supplier.

Options evaluation process

16. Both BT and the Shared ICT Service were provided with information on the authority's requirements and current position and asked to prepare a response for evaluation.
17. It should be noted that BT were able to deploy significant resource to undertake a rapid and detailed review of the authority's requirements and prepared a highly professional commercial offering. Conversely, as was expected the Shared ICT Service had only limited resource and experience for undertaking such an exercise. To assist, Southwark worked with Brent to develop a 'Service Blueprint'. The output of this work was then used to evaluate the Shared ICT Service offer.
18. Whilst there are several similarities, the suppliers of and the proposed solutions for the two options being evaluated are very different consequently, a 'like-for-like' comparison of the service offers was not possible and officers therefore considered each option on its merits and ability to meet the authority's business requirements.

Option 1 - Joining the Brent and Lewisham shared ICT service

19. The existing Shared ICT Service between Brent and Lewisham was developed during 2015 and came into effect on 1 April 2016, when Lewisham transitioned from their incumbent supplier (Capita) and the Brent and Lewisham ICT functions were combined.
20. The Shared ICT Service was established using statutory powers vested in the Local Government Acts 1972 and 2000, with Lewisham delegating its ICT services to Brent under the governance of a joint committee.
21. The Shared ICT Service arose largely from Lewisham's dissatisfaction with the quality of their ICT service, which had been outsourced for many years. Lewisham were

therefore seeking to transition away from their incumbent and to procure a service with improved service quality within challenging affordability criteria and timescales.

22. By contrast, the Brent service is in-house and considered to be well run but was coming under increasing pressure as a result of a reduced budget and further savings targets. For Brent to continue to deliver quality services using in-house resource required them to achieve further savings, with a preference for doing so through economies of scale and other efficiencies rather than from a reduction in head count and/or service provision.
23. Following 12 months of detailed planning the Shared ICT Service went live in April 2016. It is initially delivering Infrastructure services to the two authorities, including common ICT infrastructure, a service desk, project management, financial management, procurement and administration services. Further sharing of services is under consideration and this is likely to result in the merging of the currently separate application support teams.
24. With the exceptions of Lewisham's digital transformation and applications support teams, Brent as the primary host authority for the Shared ICT Service employ all ICT staff, deliver comprehensive ICT services and procure and manage third party contracts to both authorities.
25. The Shared ICT Service manages a combined budget for both Authorities and also manages separate ICT spending on behalf of each authority (mainly infrastructure contracts). The Shared ICT Service budget for 2016-17 is circa £5.5m; however, this only represents the elements of authority's and novate ICT contracts to Brent so that the Shared ICT Service can directly manage all related spending.
26. Both authorities have reported savings; however, there is recognition that business (income) from other boroughs will be needed to deliver further efficiencies and savings. As a result, the Shared ICT Service engaged with a number of local authorities and public bodies to explore opportunities for 2017-18 and beyond.

Solution overview

27. The proposal is that the Shared ICT Service takes over delivery of the majority of Southwark's ICT services currently provided by Capita. Prior to service commencement the Shared ICT Service would increase the capacity of their in-house team and ICT infrastructure to accommodate Southwark's ICT requirements. Post service commencement, services would continue to run in Capita data centres under the direct control of Shared ICT Service staff, whilst a rapid migration of services from Capita to the Shared ICT Service infrastructure is completed.
28. During this transition period no transformation would take place, although many of the service, design and capacity failings of the existing service would be remediated. Once stabilised, a transformation programme would then be undertaken. This approach seeks to minimise the reliance on and cost of Capita data centre services post service commencement.
29. The Shared ICT Service would to all intents and purposes provide an in-house ICT team on behalf of the three authorities. Staff costs, overheads, service and financial risks associated with an in-house team would be shared. In addition to business as

usual services, the Shared ICT Service would provide centralised resource for procurement and financial management as well as a pool of project management and technical resource. Service requests, installations, moves and changes (IMACDs) and small/medium projects would be delivered as part of the service whilst large scale projects that require additional resource would be funded separately.

30. In common with the BT option, the existing applications support function would be retained by Southwark, with applications support work currently undertaken by Capita, (and potentially also the related Capita staff), transferring to the Southwark applications support team. Southwark would also develop a retained ICT team to provide strategic direction and governance, undertake management engagement with the Shared ICT Service and internal business relationship management and develop and implement digital transformation in conjunction with the wider business.

Technical synergy

31. There is a significant level of technical synergy. Brent, Lewisham and Southwark all currently use a centralised desktop and thin-client technology to deliver end user compute (EUC) services, have dedicated servers and storage and are adopting increasing use of iPad and other types of mobile device. Some re-engineering would be required, but leveraging existing Shared ICT Service solutions will enable Southwark to deploy mobile and other solutions faster than would otherwise be the case. The direction of travel towards cloud services and increased mobility is similar, although Southwark are looking to adopt and deploy these faster than either Brent or Lewisham.
32. In the short term Southwark would be required to make a capital investment in an infrastructure refresh cycle, rather than adopt cloud based services immediately as was intended. This approach has a number of benefits in that it would facilitate a faster transition from Capita, remediate many of the technical weaknesses of the existing infrastructure, significantly improve business continuity and disaster recovery capability and provide capacity for planned projects. Importantly, the cost implications of this approach are considered to be more affordable than those for adopting cloud.
33. Overall it is considered that the Shared ICT Service would support Southwark's ICT aspirations and, following a period of stabilisation and improvement, would enable the digital transformation programme.

Governance and culture

34. The Brent/Lewisham shared ICT service is governed by a joint committee with a joint management board reporting into it. Separately, Brent delivers ICT services to the LGA through a joint Teckal company.
35. A number of governance options for incorporating Southwark into the Shared ICT Service exist. Primarily due to time constraints, it is proposed that these will be fully reviewed and a recommendation as to the most appropriate governance arrangement made at a later date.
36. As an interim arrangement, it is proposed that a Shared ICT Service joint partnership board would be established with representatives of the three authorities working on an equal basis. The joint partnership board would initially have responsibility for transition

planning and delivery. Post go-live, responsibility would be extended to cover the entire service (including service delivery and service quality).

37. The governance arrangements associated with a Shared ICT Service or partnership in many ways mirror those of a commercial organisation, however culture and behaviours will need to be adapted to suit. To this end a number of partnership principles would need to be developed.
38. As local authorities, the cultural fit and synergy between Southwark, Brent and Lewisham is likely to be stronger than with a commercial supplier. However, whilst Southwark are familiar with the behaviours associated with running in-house teams and managing outsourced partners, the behaviours required to develop and sustain a Shared ICT Service are quite distinct, will require focussed effort and could pose a significant risk if not adopted and applied.

Financial model

39. The Shared ICT Service financial model is simple and provides cost transparency. All costs incurred in the delivery of Shared ICT Services would be apportioned and recharged to one or more of the partnership authorities based on volumetrics or usage. The bulk of the annual Shared ICT Service recharge arises from staff and associated on costs. The latter includes NI, pension contributions, overtime, call-out allowances, training, subsistence and the requirement for supporting services such as accommodation, HR support, etc.
40. There are three basic methods for apportionment of costs:
 - Core pricing is based upon the aggregate number of user accounts across the Shared ICT Service (pre-determined and fixed annually). The current estimate is that Southwark have 4,500 users out of a total Shared ICT Service user population of 10,000. Consequently, 45% of core costs would fall to Southwark.
 - Some service specific costs will be apportioned based upon individual authority consumption.
 - Where costs can be wholly attributed to an individual authority they will be recharged on that basis, e.g. Microsoft end user licences.
41. Consideration will need to be given to how the changing finances of one authority might impact upon the service and the service cost apportioned to the other partnership authorities. To attempt to mitigate this, a commitment to the service budget will be required and consideration will need to be given to the following principles:
 - The partners will annually review and agree budget requirements for the service and recommend these to each authority for the subsequent financial year.
 - Each partner agrees to adjust budgets to address changes to payroll and/or related on-costs.
 - Each partner agrees not to unreasonably withhold additional budget required to maintain the security and integrity of the aggregate services.
42. Consideration will also be given to the advantages that extending budget planning to a 3-year basis will give to the stability of the running of the Shared ICT Service and the opportunity this provides to support the medium-term financial planning of the three authorities.

43. As expected with an in-house service, there is no service credit regime with service quality being derived from effective team and individual performance management overseen by the joint partnership board.

Staff resource

44. Brent would be responsible for employing staff to deliver the Shared ICT Service. It is estimated that an additional 46 staff would be required, thereby almost doubling the existing Shared ICT Service team. As a result of the service transferring, it is considered likely that some existing Capita and Southwark staff would be eligible to transfer to Brent (as the host authority) under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).
45. Considering the staff complement requirement of the Shared ICT Service team and staff in-scope for TUPE from both Capita and Southwark, it is anticipated that there will be a need for additional recruitment.
46. Pension arrangements and liabilities arising from transferring staff are yet to be determined. Southwark, Brent and Capita will be required to comply with their usual statutory obligations.
47. The proposed organisational structure of the Shared ICT Service incorporates resources to deliver the Shared ICT Services which excludes ICT resources working to the individual authorities, such as the applications support and digital teams.
48. The proposed organisational structure of Southwark's retained ICT team excludes staff undertaking ICT work but located in departments and funded by local departmental budget.

Service quality

49. An effective Service Level Regime currently exists for the Shared ICT Service and is monitored and managed by the existing joint management board. It is anticipated that this will meet most of Southwark's requirements for service reporting however it is flexible and can be tailored if necessary. Where possible reporting will be harmonised to reduce management overheads of the service.
50. The Shared ICT Service advise that, in general, the performance targets for service delivery are being met, however it should be noted that some issues have been experienced with the performance of the Service Desk function to Lewisham. As part of the on-going implementation of the Shared ICT Service, the Service Desk was centralised in early September 2016. This appears to have had a positive effect and the situation is continuing to be monitored. Improvements to service levels are anticipated in the coming months.
51. LB Lewisham acts as a useful benchmark in terms of early service quality and performance given their recent transition from a Capita-managed ICT service. They provided detailed information regarding their transition and early life service, which indicates that the service transitioned and is being delivered to a high standard. Whilst as mentioned previously some issues arose post-transition they report being very satisfied with the responsiveness of the Shared ICT Service team to date.

Option 2) Award to BT through Pan-London Framework

52. A pan-London framework was established by the tri-borough Shared ICT Service, comprising the Royal Borough of Kensington and Chelsea, London Borough of Hammersmith and Fulham and Westminster City Council. The aim of the framework is to streamline the procurement process, improve efficiency and cut costs for local authorities and is available to all 33 London boroughs.
53. The framework consists of four Lots, each of which delivers a service tower and comprises pre-defined services with unit pricing. Services are delivered to prescribed SLAs and KPIs to standardise and deliver commodity services at commodity pricing. In recognition that this approach may not meet all requirements, each Lot contains provision for bespoke services. The Lots within the framework were awarded as follows:
 - Lot 1 - End user computing (Westminster framework: awarded to BT in 2014)
 - Lot 2 - Service Desk (Westminster framework: awarded to Agilisys in 2014)
 - Lot 3 - Data Centre services (Westminster framework: awarded to BT in 2014)
 - Lot 4 - Networks/Telephony (RBKC framework: awarded to BT in 2016)
 - Bespoke Services can be procured through any Lot.
54. With the exception of the integrator function, (for which there is no corresponding Lot) the four Lots broadly align with the service integration and management (SIAM) tower operating model that Southwark previously attempted to procure through further competition. A key difference however is that Southwark's SIAM model had envisaged different suppliers for each tower, whereas this framework would enable a maximum of two suppliers across all four Lots.
55. Given timescales for undertaking the options evaluation it was decided to reduce the scope and complexity of this option by undertaking a single supplier engagement with BT (who are the sole supplier of the Framework Lots chosen) with the view to them providing all services including a service desk.
56. BT was engaged in early November and as might be expected of a company of their size they were quickly able to assign resource to undertake a detailed review of Southwark's requirements. In contrast to the Shared ICT Service, they proactively arranged several technical workshops and were able to produce a detailed service offer which was fully documented and presented to the Southwark ICT management team on 2 December 2016.
57. The BT service offer is very granular with each service element detailed and priced individually. All service lines were reviewed during the workshop sessions allowing an agreed scope and transparent cost model to be built.

Solution Overview

58. The BT proposal is based on provision of services under framework Lots 1, 3 and 4 with bespoke services used to provide the service desk. This mirrors the service taken from BT by the London Borough of Bromley in early 2016. The BT offer does not

include a full integration service, project management or technical project resource. These can be scoped as additional services either as defined resource or provided as required on a day-rate call-off basis.

59. BT propose to take on the service “as is” from 1 August 2017 and have scoped and costed to move Southwark services onto the BT Shared Infrastructure Platform (SIP). The proposed move from Capita data centres to BT’s SIP will require services and applications to be re-installed. Whilst this has a time and cost implication it should result in all services being in a known and documented state. Whilst this approach has a number of benefits it is anticipated it will take 18 months to complete, during which time services would continue to run on existing infrastructure in Capita data centres.
60. In common with other options, the existing applications support function would be retained by Southwark with applications support work currently undertaken by Capita, and potentially also the related Capita staff, transferring to the Southwark application support team. Southwark’s retained ICT team would also provide strategic direction and governance, oversee service delivery, undertake business relationship management and develop and implement the digital transformation in conjunction with the H&M modernise team and the wider business. Compared to the Shared ICT Service option, the Southwark team will need additional resourcing (to act as an intelligent client) to accommodate the additional roles and responsibilities it will be required to perform.

Technical synergy

61. Technical synergy is less important in this option as BT will resource to deliver the services required. BT have reviewed the Southwark technology currently deployed as well as the technical roadmap and no issues have been identified.
62. BT’s SIP aligns in part with Southwark’s intent to explore and provision cloud based services. It is however vendor specific and, in common with a number of the technical solutions proposed by BT, would tie us in to a relationship from which it may be more difficult to extricate ourselves, should we wish to do so in the future.

Governance

63. The BT governance model consists of a number of service delivery, programme and commercial boards to manage the contracted services. The model proposed broadly mirrors existing arrangements with Capita and will therefore be familiar to staff managing the contract.
64. Supporting local account governance is a joint group with representatives from BT and other authorities contracting BT services through the Westminster framework: i.e. (Westminster, Kensington and Chelsea, Hammersmith and Fulham, Bromley). This board acts as a focus for Shared ICT Service management and joint initiatives.

Commercial approach and financial model

65. The BT financial model is that Southwark pays:
 - A fixed price for resources such as service management, problem management, etc.

- A volume price for services consumed. Volume services include service desk calls, number of users, number of servers, storage, backup, etc.
- Additionally Southwark would need to maintain 3rd party licences and supporting services although options exist to novate these to BT or have BT re-procure them on Southwark's behalf.

66. The model is largely consumption based and flexes both up and down. Discounts apply based on individual authority use and the combined volumes of all contracting Authorities. There is no minimum quantity and therefore with the appropriate notice period service elements could be reduced or even ceased entirely without financial penalty.

Compliance

67. A thorough compliance review of the pan-London framework was not undertaken. However the framework was procured in accordance with EU procurement requirements and does provide for direct award to BT. It has been used by several authorities (so consequently the risk of there being issue with, or a challenge arising from Southwark having made a direct award under the framework is considered low.

Staff resource

68. As the service would be transferring from one service provider to another it is considered likely that some existing Capita and Southwark staff would be eligible to transfer to BT as the service provider under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

69. Resourcing the applications function will likely include TUPE of staff from Capita to Southwark, and there will be a need for recruitment to fill new or revised roles within the Southwark intelligent client function.

70. Pension arrangements and liabilities arising from transferring staff are yet to be determined. Southwark and BT will be required to comply with their usual statutory obligations and, in the case of BT, any derivative contractual requirements.

Service quality

71. As would be expected of a major ICT service supplier a comprehensive regime for monitoring and reporting on service delivery and service quality is in place.

72. Service levels are higher than for the Shared ICT Service and these are backed by a service credit regime.

73. LB Bromley acts as a useful benchmark in terms of early service quality and performance given their recent transition from a Capita-managed ICT service to BT. They provided detailed information regarding their transition and early life service which indicates that the service transitioned and is being delivered to a high standard. They report being very satisfied with the responsiveness of BT and the service to date.

Options evaluation

74. The two options were compared with consideration given to the limitations of conducting a like-for-like comparison on two such different proposals.
75. Overall both options were considered viable with advantages and disadvantages associated with each. The determining factors were considered to be:
- **Affordability:** Basic cost modelling indicates that the Shared ICT Service would be significantly cheaper over a five-year period. There were also considered to be a greater number of opportunities for further efficiencies and savings to maintain affordability over the medium-term.
 - **Service Scope:** The Shared ICT Service includes as standard; service management and service integration across all service towers and 3rd parties, finance, contract management, procurement, a programme office and project management resource, technical project resource and solutions architects. It was therefore considered to be a more holistic service which will require a smaller retained team to manage when compared to BT.
 - **Service Delivery:** The Shared ICT Service includes; service requests, a hardware replacement budget and all installation, moves and changes. These aspects of service delivery would be delivered by BT but at additional cost.
 - **Service Solution:** BT proposed use of their Infrastructure-as-a-Service solution whilst the Shared ICT Service proposed a refresh of authority owned hardware. Whilst the direction of travel and Southwark's medium-term strategy is to move away from owned hardware to an "as-a-service" consumption model, the financial case for doing so is yet to be made. In addition, the BT option required use of Capita hosting services for an estimated 18 months whilst transformation was undertaken and completed. Continued reliance on Capita for this length of time was considered to be undesirable.
 - **Be different:** Whilst affordability, speed of transition and service solution were the most significant factors, it is worth noting that having had 20+ years of single supplier ICT managed services (which have largely failed to meet business requirements and expectations), there was a political and officer appetite to try something different.
76. The option evaluation concluded that entering into a Shared ICT Service with Brent and Lewisham offered the best option for the future provision of ICT services to the authority.

Development of the Brent/Lewisham Shared ICT Service option

77. Having identified the Shared ICT Service as our preferred option, an external facilitator was commissioned to run five workshops. These were used to bring together the key stakeholders and advising officers to explore how the Shared ICT Service could be developed to include Southwark and the potential benefits to all three partners.
78. The workshops were designed to enable senior officers to understand and agree the following:
- Partnership principles
 - Statutory framework that enables Shared ICT Services
 - Potential governance models

- Potential benefits realisation
- Risk
- The most appropriate Shared ICT Service model
- The internal legal process to establish the Shared ICT Service.

79. In addition, an important aspect of the workshops was testing the commitment of senior stakeholders to a Shared ICT Service, thus ensuring we were embarking on a viable long-term partnership.

80. The authorities identified that they shared several key objectives and synergies. These included:

- Clear technology synergies (i.e. common applications, infrastructure and roadmaps)
- Common financial and service pressures
- Need to achieve value for money (meets current and future affordability targets and quality expectations)
- A need to strengthen overall service risk management and resilience
- A political appetite to do something different in partnership with other authorities.

81. At the final workshop, senior stakeholders from all three authorities agreed that a Shared ICT Service was a compelling proposition and gave the necessary commitments to progressing this as a recommendation to their respective cabinets.

KEY ISSUES FOR CONSIDERATION

Strategic outcomes

82. The senior stakeholders' workshop established the principal objective of the Shared ICT Service, which is to "enable the three authorities to maximise the use of digital technologies to transform themselves into responsive, efficient and cost-effective organisations".

83. Stakeholders agreed that by 2020, the ICT service would have achieved the strategic outcomes described in table 1 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.

<u>Primary outcomes</u>	<u>Secondary outcomes needed to achieve primary outcome</u>
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.

Table 1: Strategic Outcomes

84. 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 authorities and are set out in full in Appendix B.
85. The adoption of the partnership principles and behaviours are fundamental to a memorandum of understanding which will enable the detailed work required to agree the legal and governance mechanisms for establishment of the Shared ICT Service to be completed.

Governance and legal compliance

86. Officers have considered the statutory framework that permits local Authorities to establish Shared ICT 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 delegate (arrange for the discharge) of their functions by:
- Another local authority;
 - The executive of another local authority; or
 - a joint committee.
87. The proposed delegation and future Shared ICT Service will therefore be undertaken in accordance with the statutory framework noted in paragraph 86. For clarity, Lewisham delegated delivery of their IT service to Brent and separately Brent and Lewisham delegated governance of the ICT service to a joint committee that oversees the performance and strategic direction of the Shared ICT Service, with operational control executed through joint management boards.
88. Several options for the future governance arrangements of the expanded Shared ICT Service are available, such as establishing a 3-way joint committee or forming a “Teckal” company (this being a joint company for public sector Shared ICT Services where the intention is to continue to provide the services from within the public realm).
89. There is considered to be some advantage in taking the time to consider these options thoroughly, drawing on the experience of Brent/Lewisham and other Shared ICT

Services and engaging consultants if appropriate. Given this, it is proposed that we adopt a three-stage approach to governance as set out and summarised in table 2 below.

90. Stage 1: To expedite the work required to fully develop the service design and the establishment of the transition team, to undertake detailed planning and transition preparation, it is proposed that the service should progress with an initial arrangement to enable Brent to incur cost on behalf of Southwark to establish the service design and transition programme. Each authority will have an equal say in the running of the service design and transition programmes.
91. Stage 2: Subject to Cabinet approval of the delegation of the ICT service, Interim governance will be implemented. This will consist of a joint 3-way partnership board with representatives from each of the three partner authorities. After service commencement, this board will manage delivery of the 3-way Shared ICT Service until permanent governance is implemented.
92. Stage 3: Following appraisal of the governance options, a further report to the Cabinet of each of the three Shared ICT Service authorities will seek authorisation for the recommended model prior to its implementation.

<u>Governance Stage</u>	<u>Main Features</u>
Initial (Stage 1)	<p>A memorandum of understanding.</p> <p>An initial arrangement to allow Brent to incur expenditure on behalf of Southwark to establish the service design and transition programme.</p>
Interim (Stage 2)	<p>Southwark delegates ICT service to Brent.</p> <p>3-way officer partnership board to manage preparatory phase and post commencement service.</p> <p>Current Lewisham to Brent delegation and joint committee and management board continue as is.</p>
Medium-term (Stage 3) (within 12 months)	<p>Consider long-term options:</p> <p>New joint committee, possible Teckal company or other.</p>

Table 2: Governance overview

93. Having considered the necessary mechanisms and authorisations required to enable the Shared ICT Service partnership to progress, it is proposed that:

- a) Southwark, Brent and Lewisham agree a non-legally binding memorandum of understanding (MOU). This will enable development of the detailed delivery model, full transition planning and associated budget allocations.
 - b) The three parties intend to agree an interim inter-authority agreement as soon as possible to address their obligations, liabilities, insurance arrangements and use of assets in relation to the Shared ICT Service. This will also give authority for Brent to purchase necessary hardware and software in relation to the transition. The interim agreement will form the basis for a subsequent more detailed inter-authority agreement between the parties to be developed after completion of due diligence.
 - c) Subject to all parties agreeing the detail, a report setting out the scope of the Shared ICT Service, the associated financial model and the terms of the delegation/s of Southwark's ICT will be recommended to the Cabinet of each of the three Shared ICT Service authorities for approval.
94. The interim governance arrangements set out in the MOU and delegation of authority are intended to be in effect for a period of up to 12 months so as to enable the most appropriate governance model to be determined and implemented.
95. Until the permanent governance arrangements for the Shared ICT Service are approved by their respective authorities (the interim period) the existing Shared ICT Service governance requires that Brent and Lewisham continue to meet as a joint management board and to report service performance relating to their authorities only to their joint committee.

Plans for the monitoring and management of the ICT service

96. In the short-term additional resource has been assigned by Southwark to more closely manage Capita and to prepare for and assist with transition activities. Capita will be asked to appointment a dedicated Exit Manager.
97. In preparation for service commencement, the Shared ICT Service will be developed and augmented to ensure that it has the relevant skills and resource to undertake work to the required level.
98. Governance is being developed and will be implemented and enforced. This will include a three-way management board which will receive service levels and key performance indicators, balanced scorecard, risk log, budget monitoring and project highlight reports on a monthly basis.
99. Third party supplier contracts will be reviewed and where possible harmonised to enable consolidated reporting and efficient management.
100. Consideration will be given to how the three partner authorities can motivate and incentivise the Shared ICT Service to deliver an end to end service which delivers a significantly enhanced end user experience and/or a measurable and quantifiable productivity gain.

Strategy

101. The evaluation and subsequent workshops identified a clear synergy in our business and operational requirements leading to opportunities for close collaboration on ICT and digital strategies.
102. 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.
103. A shared commercial strategy is to continually improve service quality whilst reducing cost. The partners recognise that the most practical way of achieving this is to grow the business, thereby delivering further efficiencies through economies of scale. We are however mindful that the service will need to grow in a sustainable manner and at a pace which does not create unnecessary risk to the ICT service.

Service Solution

104. Within the defined operating model, the Shared ICT Service will have responsibility for overall technical architecture, infrastructure services, service delivery, procurement and supply chain management. In addition, the service will provide access to a shared pool of project management resource.
105. The Southwark ICT organisational structure has been revised and comprises the resource to interface with and manage the Shared ICT Service as well as local project, business relationship management and digital transformation resource and applications support.
106. The elements of applications support (which is currently supplied by Capita) will be incorporated into the existing Southwark retained applications support team. This is covered in more detail in the staff resources section below.
107. From a technical perspective, Southwark will be required to invest in new infrastructure, which will be procured, commissioned and managed by the Shared ICT Service. The detail of this project will be developed during transition and due diligence. Like Lewisham, Southwark will seek to leverage Brent's expertise, and where appropriate use existing services to deliver ICT solutions faster than would otherwise be the case.
108. Ultimately, the key objective is to establish a stable, resilient and quality ICT service, which represents a step-change from the current service. The Shared ICT Service is expected to deliver continuous innovation and service improvement through collaboration, use of a rich resource pool and effective knowledge sharing.
109. The draft operating model for the Shared ICT service is shown in Figure 1.

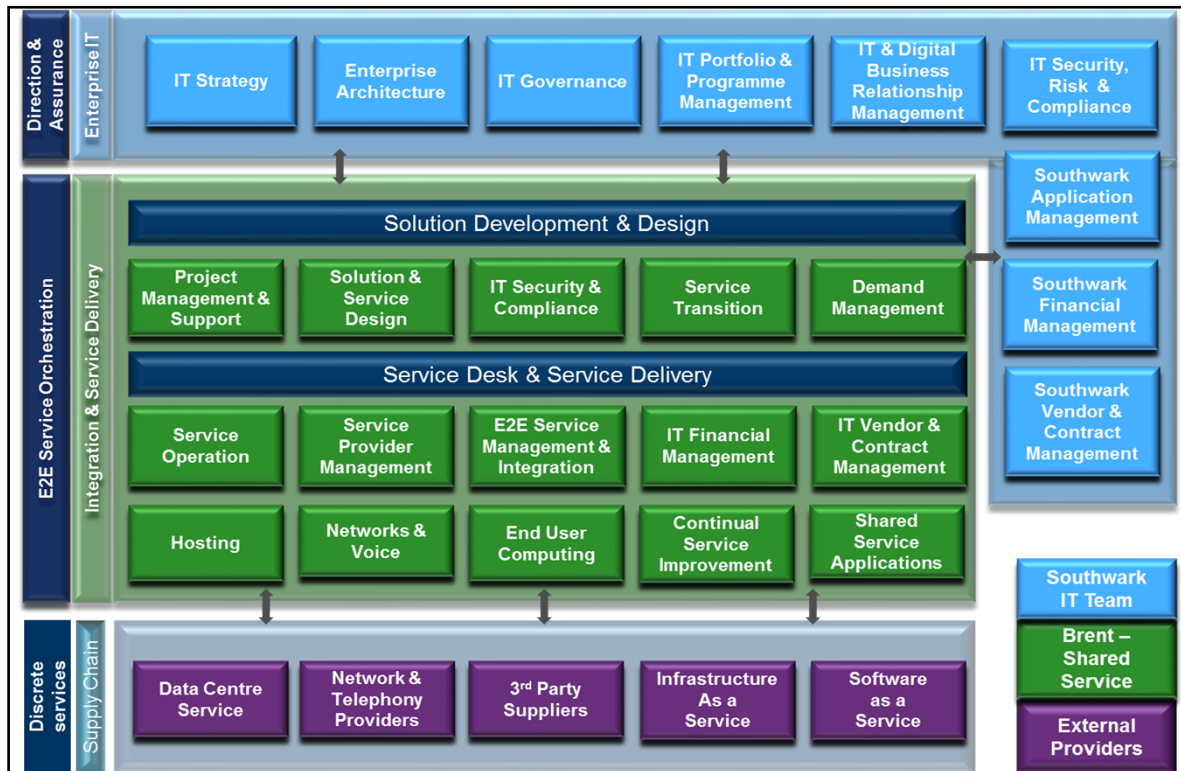


Figure 1: Draft Shared ICT Service Operating Model

Risk management

110. A harmonised risk management strategy will be introduced. This will enable all partners to adopt common risk management processes that are clear and simple. Using such an approach will help partners to:
- **Reduce bureaucracy** using a single process applicable across the three Authorities;
 - **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 and assurance registers and add value back into the business
 - **Benchmark risks** across the Shared ICT Service.
111. The three authorities 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. This will include reports to the Joint Management Board on the aggregate risk profile.
112. 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.
113. The key risks associated with establishing the Shared ICT Service, transition and service delivery are in table 3 below. Detailed risk assessments regarding transition

planning and service delivery will be undertaken once the programme team has been established.

Risk	Consideration/Mitigation	Risk Rating (L, M, H)
<p>Resistance or inability of staff and stakeholders to adapt to the Shared ICT Service.</p> <p>Delays or subverts the successful establishment and/or running of the Shared ICT Service.</p>	<ul style="list-style-type: none"> • Ensure that the human and cultural parts of change are understood and potential conflicts anticipated and planned for. • Ensure change is led by capable leaders, who devote time and energy to working with staff and other stakeholders to explain the rationale for change and resolving areas of conflict. • Clear communications that ensure all stakeholders are informed and feel included. 	<p>High</p>
<p>Southwark's staff attitude and behaviours are inconsistent with the partnership principles.</p> <p>Staff regard the Shared ICT Service as an outsourced supplier rather than an in-house service leading to conflict</p>	<ul style="list-style-type: none"> • Understand the behaviours and attitudes expected in the new Shared ICT Service • Explain to staff why new behaviours are important and how this fits into the wider picture of change through appropriate communication 	<p>High</p>
<p>Cultural misunderstandings between the partners</p> <p>Conflict between partners thereby destabilising the Shared ICT Service</p>	<ul style="list-style-type: none"> • Ensure that attention is paid to understanding each partners' motives for collaborating, how they will judge success and what values will guide decision-making • Ensure change is led by joint senior management to identify potential problems and bring about agreement 	<p>High</p>

Risk	Consideration/Mitigation	Risk Rating (L, M, H)
<p>Failure to agree governance, service design and inter-authority agreement to delegate the service by the current Capita contract end date.</p> <p>A further extension period is required due to failure to implement the Shared ICT Service ready for transition.</p>	<ul style="list-style-type: none"> • Capita contract extended to enable detailed service design and transition planning to be completed, with further extension periods available if required. • Appointment of programme resources (including transition and exit managers) to ensure effective delivery of the Shared ICT Service agreement, together with the transition and exit programme. • Establish an open and honest partnership early in the Shared ICT Service, ensuring that a high trust environment exists to facilitate agreements and effective resolution of any issues. 	High
<p>Failure to understand and address the increased complexity around relationships, working arrangements and risk arising from the Shared ICT Service.</p> <p>Destabilising and disruption of the Shared ICT Service.</p>	<ul style="list-style-type: none"> • Devote time and resources early on in the partnership to understanding the values and perspective of each partner and their local professional groups • Identify the goals and outcomes for collaboration, business priorities and perceived risks, and constraints (e.g. legal and governance) that may limit flexibility • Succession planning for senior stakeholders must consider maintaining compatibility and consistency in the ongoing application of the Shared ICT Service vision and principles 	High
<p>Partner reputations may be damaged.</p> <p>Failure to establish the Shared ICT Service, delays to transition, poor post-transition performance and unbudgeted costs.</p>	<ul style="list-style-type: none"> • Ensure that baseline costs and performance levels are properly understood (not least to avoid unfair and subjective comparisons post-transition) • Manage the change process to ensure that the desired outcomes are realised, the service meets users' needs and improves affordability and performance of baseline services • Where problems occur, make sure these are addressed quickly and effectively, so that negative perceptions do not spread 	High

Table 3 – top 6 Shared ICT Service risks

Timetable

114. An outline timetable setting out the indicative programme has been included in table 4 below.

Activity	Complete by:
Southwark Cabinet report and decision (this report)	7 February 2017
Brent Cabinet report and decision	13 February 2017
Lewisham Cabinet report and decision	15 February 2017
Memorandum of Understanding and interim Inter-Authority Agreement.	20 February 2017
Capita contractual deadline for notice of extension.	April 2017
Programme initiation, due diligence, detailed service design and transition planning.	May 2017
Detailed financial model.	May 2017
Prepare Cabinet report for Shared ICT Service delegation recommendation.	May/June 2017
Cabinet member briefing	May/June 2017
Southwark Cabinet report and decision	June 2017
Lewisham Cabinet report and decision	June 2017
Brent Cabinet report and decision	June 2017
Delegation of ICT Service and Inter-Authority Agreement. Interim governance commences.	June/July 2017
TUPE Consultation period	October 2017
Shared ICT Service transition activities continue.	October 2017
Target date for service commencement.	31 October 2017
Cabinet report to agree final governance to all three partner Authorities	Early 2018

Table 4 – Indicative programme

Policy implications

115. The IT service underpins almost every aspect of authority services and is instrumental to the authority delivering its promises and fulfilling its obligations.

116. The IT service is being developed to fully support the authority's digital strategy and to enable the future transformation of authority services and working practices.

Community impact statement

117. All three authorities will ensure:

- Recruitment and employment practices encourage equality of opportunity and respect for diversity. This will tackle barriers faced by specific groups, thereby actively supports creation of a workforce that is representative of the local communities and our customers.
 - They seek opportunities to work with the local community and local community organisations to tackle inequality, for example by supporting people to develop the skills they need to participate economically, culturally and socially.
 - They have systems in place to deal with any complaints of discrimination promptly, fairly, openly and effectively.
 - They encourage other employers to adopt similar practices.
118. Recruitment of staff to the Shared ICT Service will be undertaken across all three boroughs to ensure equality of opportunity.
119. The Shared ICT Service organisation structure includes provision for nine apprentices which will be shared equally across the three boroughs.

Resource implications (Staff)

120. 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.
121. To take-on the existing Southwark ICT service from Capita and provide ICT services to the three authorities, it is estimated that the Shared ICT Service will require an additional 46 staff, taking the team complement to 96.
122. 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 primary host authority). In addition, it is possible that a small number of Southwark ICT staff may also be in-scope to transfer to Brent.
123. As part of exiting from Capita, it is proposed that the applications support function they provide is in-sourced. This may result in the transfer of a small number of Capita staff to the authority under TUPE. In that event, the authority will comply with its obligations under TUPE and related legislative provisions.
124. In preparation for transition, there is a requirement to develop internal skills and resource to align with the roles and responsibilities arising from entering into a Shared ICT Service. This will be to support Southwark's digital and transformation agenda and to take-on those aspects of application support provided currently by Capita.
125. To support this, the structure and composition of the authority's ICT team is under review. It is considered that the Southwark ICT team will need to increase in complement to meet future demands. A draft structure has been prepared however it is likely this will be finessed following the outcome of the detailed service design work and the consultation process.

126. It is noted that there is an increase in staff complement across both the local Southwark and Shared ICT Service teams. Consequently, it is expected that the need to make staff redundant as a result of the proposed changes to the ICT service delivery model and the restructure of Southwark's retained ICT team should be minimised. Indeed, many staff will become part of a larger ICT function with increased opportunities for staff development and progression.
127. The authority's reorganisation, redeployment and redundancy procedure on managing change and consulting with departments, staff and the respective unions will be followed in respect of all affected Southwark staff.

Financial implications

128. This report seeks approval in principle for the delegation of the ICT service to London Borough of Brent Council, as the primary host authority in a Shared ICT Service with the London Borough of Lewisham.
129. The expectation is that the Shared ICT Service will deliver better value for money, which aligns more closely with the authority's affordability expectations in the medium term. This will be achieved through efficiencies and economies of scale (and potentially through future growth of the Shared ICT Service).
130. An additional benefit of the Shared ICT Service is that we will jointly have more influence over costs through collaboration and implementation of the partnership principles and governance.
131. The high level financial model developed during the options evaluation process is set out in paragraphs 39 - 43. This covers the three principal methods by which costs for the Shared ICT Service would be apportioned across the three authorities. The detailed financial model will be developed over the coming months and included in the report to Cabinet seeking authority for the future delegation of the ICT service.
132. Members will note that to undertake the detailed planning required to inform the decision to delegate delivery of the ICT service to Brent as primary host authority, it will be necessary to fund the service design and transition programme.
133. This report therefore seeks approval for the required Memorandum of Understanding and an interim inter-authority agreement which will cover the 3 boroughs obligations regarding the preparatory and transition activities and to the authority funding the programme costs (which are estimated to be £3m), making provision for this sum in the authority's Capital Programme.
134. As set out in paragraphs 124 – 127, this report identifies the requirement to restructure the retained ICT Team to align with the roles and responsibilities arising from entering into a Shared ICT Service to better support Southwark's digital and transformation agenda, and to take on those aspects of application support currently provided by Capita.
135. The outcome of the reorganisation is subject to further detailed design and staff consultation, however budget provision for the anticipated costs arising from this reorganisation have been included in the authority's Policy and Resources budget report for 2017-18.

136. Future consideration will be given to the advantages that may be derived from the Shared ICT Service through longer term financial planning.

Legal implications

137. Please see the supplemental advice from the director of law and democracy at paragraph 142.

Consultation

138. A cross departmental group chaired by the strategic director housing and modernisation has been established to oversee the development of the authority's sourcing strategy, the resulting recommended service option and the effective improvement of the authority's ICT service.
139. A series of senior stakeholder and advisor meetings incorporating representatives from all three partner authorities have been conducted.
140. A staff survey undertaken as part of the SoCITM benchmarking exercise provided useful information which is being incorporated into our requirements.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

141. Procurement were involved in the evaluation and options assessments for the new IT service. The proposed inter-authority agreement outlined in the report, to progress with a Shared ICT Service with the London Boroughs of Brent and Lewisham, would not in itself incur any direct procurement issues. Procurement of ICT goods and services will form part of the responsibility in the delegation of the service to Brent. This will be detailed in the inter-authority agreement and assurances provided to Southwark as part of agreeing to the service.

Director of Law and Democracy

142. This report requests the cabinet to give an in principle approval to delegate the delivery of the council's ICT service to Brent council, with a further report to approve the delegation and its final terms to be brought to cabinet once those terms are finalised.
143. As noted in paragraph 86, the council is permitted to arrange for an executive function to be delegated to another authority or to establish shared services by virtue of the Local Government Acts 1972 and 2000, the Localism Act 2011 and the Local Authorities (Arrangements for the discharge of Functions) (England) regulation 2012. There are a number of legal structures which can be adopted when sharing services, and cabinet will note that it is the intention for those alternative structures to be considered by the 3 boroughs before the final structure is recommended for approval. Specific legal advice will be provided to cabinet when the later report is brought for approval.
144. The council has previously had ICT services supplied under a client/contractor

arrangement through a formal contract. The cabinet is advised that when entering into shared services arrangements these are typically through inter-authority agreements between the boroughs. Whilst these set out the principles for the arrangement, including the required performances/how they are measured and how payment is made, they are collaborative arrangements and therefore do not include provisions more common in contracts such as defaults and service credits. It is important when entering into a shared service that all boroughs adopt the necessary behaviours for such an arrangement. This has been highlighted in the risk table as a potential risk and the considerations/mitigations which are to be adopted.

145. The cabinet is also asked to approve the entering into of a memorandum of understanding (MoU) and interim inter-authority agreement. The MoU will be a non-binding agreement, further details of which are given in Appendix A, which will set out the guiding principles in relation to the proposed shared service and will assist the 3 boroughs in working together initially in this transition period to determine the final shared service to be operated, and over the life of the arrangement. The interim inter-authority is required to set out the obligations of the 3 boroughs for the preparation and transition activities, including the need for Brent to purchase both hardware and software in relation to that transition.
146. The cabinet's attention is drawn to the public sector equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet is specifically referred to the community impact statement at paragraphs 117-119 setting out the consideration that has been given to these issues which should be considered when approving the recommendations set out in this report.

Strategic Director of Finance and Governance

147. This report seeks approval in principle for the delegation of delivery of the authority's ICT service to London Borough of Brent as the primary host authority, in a Shared ICT Service with London Borough of Lewisham and notes that a further report will be brought to cabinet later in the year to approve delegation in its final terms.
148. This represents a new opportunity to deliver an ICT service through a collaborative working arrangement with Brent and Lewisham where key decisions will be agreed and taken together within the context of affordability and ongoing financial constraints within local government. The financial implications cannot be fully determined at this point but will need to be formally agreed through the critical period of due diligence about to be undertaken with the respective parties. However, the authority recognises that it will need to invest more in its ICT infrastructure to establish a stable, resilient and quality service which will deliver a modern, reliable and secure technology that supports the digital strategy and enables service transformation across the authority.
149. The report seeks approval to enter into a memorandum of understanding with Brent and Lewisham and an interim inter-authority agreement covering the 3 boroughs obligations with regard to the preparatory/transition phase prior to service

commencement. This will involve a one-off up-front capital cost, estimated at this time to be c £3 million, which is at the higher end of expectations and contains an element of contingency funding. This can be contained within the existing capital programme allocation for ICT. In addition, on-going provision is required to cover the extension of the existing ITMS contract with Capita up to the point when the Shared ICT Service becomes fully operational. This date will be finalised as part of the due diligence work to be completed in the coming months and will be subject to the further report to Cabinet in June.

150. A detailed financial model is currently in development which will set out the financial arrangements between the parties going forward. The bulk of costs will be largely shared by the parties in proportion to their usage (i.e. number of users), or charged directly where partially or wholly attributable to one or more parties. At this stage, indicative organisational structures for the Shared ICT Service and the retained in-house function have been developed which forms the basis of initial budget planning. Further work is required to provide assurance and protect the authority's financial interests and mitigate potential risks.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Gateway 0 IT Managed Services Sourcing Options	Housing and Modernisation/ Information and Data Services	Chris Anderson, Interim IT Manager 020 7525 0624
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=5144&Ver=4		
Gateway 1: IT Managed Services Procurement	Housing and Modernisation / Information and Data Services	Mark Compton-James – Head of Information Technology 07710 921011
Link: http://moderngov.southwark.gov.uk/mgIssueHistoryHome.aspx?IId=50009040&Opt=0		

APPENDICES

No.	Title
Appendix A	Overview of Memorandum of Understanding / Inter-Authority Agreement
Appendix B	Partnership Principles

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance	
Lead Officer	Gerri Scott, Strategic Director of Housing and Modernisation	
Report Author	Mark Compton-James, Head of Information Technology Chris Anderson, Head of ICT Strategy	
Version	Final	
Dated	26 January 2017	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	26 January 2017	