

Item No. 8.	Classification: Open	Date: 20 June 2017	Meeting Name: Cabinet
Report title:		Shared ICT 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 the report to Cabinet in February 2017 (entitled 'ICT Shared Service with Brent and Lewisham') and the corresponding in principle approval that Southwark becomes part of the Brent and Lewisham shared ICT service, I am delighted to be asking Cabinet to approve the formal establishment of a three-way shared ICT service with the London Borough of Brent and the London Borough of Lewisham. This will result in the delegation of the delivery of the ICT service to the London Borough of Brent as the primary host authority with a planned service commencement date of 1 November 2017. The key objective is to provide Southwark with a stable and resilient ICT service which, in turn, will serve as a platform for the modernisation agenda 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 detailed due diligence work which was undertaken as a joint exercise between Southwark and Brent over an eight-week period. The purpose was to accumulate sufficient information to validate the initial estimated costs, business benefits and risks arising from incorporating Southwark into the shared ICT service.

The Shared Service offers us an opportunity 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 that this is a new delivery model there will be a need to adjust 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

Recommendations for the Cabinet

That cabinet:

1. Notes the work undertaken to: complete the identified due diligence activities, develop an inter-authority agreement and to assure the viability of a three-way shared ICT service since approval in principle was given to delegate the delivery of the ICT service to Brent.

2. Approves the establishment of a three-way shared ICT service with the London Borough of Brent and the London Borough of Lewisham and the delegation of the delivery of the ICT service (within the agreed scope including procurement of ICT related goods and services and shared ICT service staffing) to the London Borough of Brent as the primary host authority with a planned service commencement date of 1 November 2017.
3. Approves the commitment of an estimated £19.1m payable to Brent as the host authority over a five year period for this arrangement.
4. Delegates authority to the strategic director of housing and modernisation to agree the final terms of the inter-authority agreement.
5. Notes that officers in Brent and Lewisham are presenting reports to their respective cabinets in relation to:
 - this delegation and future shared ICT service.
 - the merging of the Brent and Lewisham application support teams and their incorporation into the shared ICT service.
6. Notes the on-going work to redevelop the retained ICT team (IT & Digital Services) and the proposed insourcing of those applications support functions provided currently by Capita.
7. Notes that further to the approval given to extend the existing IT managed service contract with Capita, officers will finalise the arrangements to be implemented with Capita in respect of the provision of data centre hosting services.
8. Notes that a report will be brought to a future cabinet meeting to update cabinet on transition progress with future reporting as required by the cabinet.

Recommendations for the Leader of the Council

That the Leader:

9. Agrees to establish a joint committee with the London Boroughs of Brent and Lewisham to support the governance arrangements of the shared ICT service.
10. Agrees that the joint committee will consist of two elected members from each council and that Southwark will be represented on that committee by two members (or substitute members) of the cabinet appointed by the leader.
11. Agrees the draft governance arrangements and terms of reference as set out in appendix B.

BACKGROUND INFORMATION

12. A report (ICT shared service with Brent and Lewisham) was received by cabinet in February 2017. The report detailed the work undertaken to evaluate two options for the future provision of ICT services for Southwark, these being: a shared ICT service with the London boroughs of Brent and Lewisham or a managed ICT service provided by BT and procured through the pan-London Westminster framework.

13. The February cabinet report approved in principle Southwark joining the shared ICT service with Brent and Lewisham and gave authority to complete the necessary due diligence work to inform the decision.
14. The initial due diligence work is now complete. This report details the outcome of this work, the proposed shared ICT service arrangements and recommends that the future delivery of ICT service to Southwark is through entering into a shared ICT service with the London Borough of Brent and the London Borough of Lewisham.

Overview of the Brent and Lewisham shared ICT service

15. The existing shared ICT service between Brent and Lewisham came into effect on 1 April 2016, when Lewisham transitioned from their incumbent supplier (Capita) into the Brent in-house hosted ICT service. This combined ICT service became the shared ICT service.
16. 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.
17. The Brent ICT service is in-house and delivers comprehensive ICT management, infrastructure and end user services (including common ICT infrastructure, data centre hosting, a service desk, project management, financial and contract management, procurement and administration services) to the two councils.
18. At present application support and digital transformation are excluded from the shared ICT service and undertaken locally by each council. With the exception of these teams, Brent as the primary host authority for the shared ICT service employ all ICT staff. It is proposed that the application support functions will be merged and incorporated into the shared ICT service later this year.
19. The shared ICT service manages a combined budget for both councils and also manages separate ICT spending on behalf of each council (mainly infrastructure contracts). The shared ICT service budget for 2016-17 was circa £6.65m, however this only represents the elements of the service currently shared. Work is currently underway to further consolidate budgets and novate ICT contracts to Brent so that the shared ICT service can directly manage all related spending.
20. Both councils have reported savings as a result of entering into the shared service and there is now an active programme to engage with other authorities with a view to further expansion of the shared service to deliver additional efficiencies and savings when it becomes appropriate to do so.

Due diligence

21. As set out in the February 2017 report to cabinet, due diligence work was undertaken over an eight-week period with the purpose of accumulating sufficient information to validate the initial estimated costs, business benefits and risks arising from incorporating Southwark into the shared ICT service.
22. Due diligence work included:
 1. Review of ICT services provided by the current IT managed service provider and other third party licences.

2. Identification of support and maintenance contracts including planning for contract treatment during the transition period.
 3. Review of current infrastructure environment including hardware, software and serviceability.
 4. 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.
 5. Development of resource plans of sufficient detail as to provide assurance that resource requirements for transition and migration phases have been appropriately assessed and can be recruited to and that, based on the current known position, technical transition activity plans and budget forecasting is robust.
23. The due diligence work identified no major surprises and resource, time and cost estimates are within officers' expectations.
 24. Cabinet 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.

Business benefits

25. 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.
26. Through Southwark joining the shared ICT service each of the three authorities will achieve significant benefit through increased efficiency and economies of scale including:
 1. A larger pool of technical resource providing increased resilience for the business as usual (BAU) service and additional resource to effect change.
 2. Shared cost of joint developments thereby lowering the cost for development activity by up to two-thirds when compared to each authority separately undertaking the same work.
 3. Shared support of common applications with opportunity to rationalise, consolidate and share applications.
 4. Shared infrastructure enabling more efficient and cost effective capacity management and increased resilience.
 5. Efficient procurement through undertaking procurements on behalf of all three authorities and leveraging our combined size to reduce price where possible.
 6. Shared risk.

7. Shared best practice.

27. For Southwark specifically, given the current state of infrastructure and service, there is significant additional benefit to be realised from moving into the shared service and the planned migration and transformation activities.
28. 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".

Southwark's future ICT delivery model

29. The recommendation is that Southwark joins the three-way shared ICT service. The shared ICT service will operate as an in-house ICT team on behalf of all three councils and will take over responsibility for the delivery of the majority of Southwark's ICT services as defined in the service scope. Staff costs, overheads, services and many of the financial risks associated with an in-house service will be shared.
30. The scope of the shared ICT service will be: Infrastructure services (servers, storage, network, telephony) business as usual and end user services (including core applications such as email and MS-Office, internet access, end user computing devices), ICT support services, security services, overall technical architecture, financial management, procurement and contract award, supply chain management and programme and project management services.
31. Southwark will retain a central ICT team (IT and digital services) to undertake those roles and responsibilities which are not covered by the delegation to the shared ICT service. These include central applications support, business engagement and digital transformation. In addition, ICT functions undertaken currently within departments will be retained pending review (see paragraphs 67 and 93).
32. A significant amount of work has been undertaken to agree the shared ICT service principles and much of the detail of the governance of the services to be shared, although there are some areas which require further work. Approval is therefore sought to delegate agreement of those final terms to the strategic director of housing and modernisation.
33. Following approval of the final terms the councils will be in a position to enter into an inter-authority agreement with the London Boroughs of Brent and Lewisham. A joint committee and joint management board will be formed and the transition plan activities progressed.
34. At service commencement the shared ICT service will assume responsibility for the agreed scope of ICT services and TUPE activities will conclude. The hardware underpinning ICT services will continue to run in Capita data centres under the direct control of shared ICT service staff. This arrangement is expected to continue for a period of up to 12 months whilst the migration activities required to relocate Southwark's ICT services from Capita's and Southwark's (Tooley Street) data centres to shared ICT service provisioned data centres and infrastructure is completed.
35. Migration of the existing service will inherently involve elements of improvement to the design, capacity and resilience of the service. However, a separate transformation programme will be required to review and rationalise the Southwark application estate.

This is to be undertaken in the context of an organisation-wide programme to develop transformational digital services.

KEY ISSUES FOR CONSIDERATION

Strategic outcomes

36. As set out in the February 2017 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”. By 2020 the ICT service will have achieved the strategic outcomes described in Table 1 below.

<u>Strategic Outcomes</u>	
<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 from which everyone benefits. • Delivering greater resilience by sharing and mitigating risks. • Offering each partner more capacity and capability by pooling resources and knowledge.

Table 1: Strategic Outcomes

37. The strategic outcomes referenced in Table 1 are underpinned by the agreed partnership principles and behaviours. These address and enable the requirements and expectations of all three councils and are set out in full in Appendix A.

Governance and legal compliance

38. 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,
 - A joint committee, or
 - One or more officers of the local authorities concerned.
39. Having considered carefully the options available it is recommended that the council delegates delivery of ICT services (within the agreed scope) to the London Borough of Brent under the governance of a joint member committee.
40. The means of implementing a delegation as set out above is through an inter-authority agreement (IAA). This will set out the governance framework under which the service will be delivered and operate including: roles, responsibilities, financial principles, liabilities, assets, service details and exit management.
41. Whilst there is an IAA between the parties, the ICT service is being delegated and this is therefore not a contract for services with the usual contractual obligations. Consequently there is no provision for damages or service credits in the event of a breach of the IAA. Whilst this is a notable change from the current contractual arrangement with the incumbent IT managed service provider it has been considered and the risks arising from this alternative arrangement are covered in the sections on liabilities, managing the service (including the service level agreement and key performance indicators) and in the risk table.
42. Decision Making: A joint committee will be established. Each authority will have equal representation on the joint committee with two members from each council entitled to attend meetings.
43. A joint management board reporting into the joint committee will be established. This board will have director and management representation from each of the partner councils. It will meet every two months to oversee service delivery performance, agree priorities and allocation of shared resource and monitor budget.
44. 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 with each council having equal voting rights. By law, the chair of the joint committee will have a casting vote.
45. 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 by delegating the function for delivery of ICT services (within the agreed scope) to Brent Council the latter as the host council exercises the function in delivering a shared service to all three councils.
46. Appendix B details the draft governance structure and the terms of reference for the joint committee and joint management board.
47. Procurement: The scope of the delegation to the shared ICT service includes authority to undertake procurement and award of contracts for ICT related goods and services which will be undertaken in accordance with Brent’s constitution and contract standing

orders (CSOs) on behalf of the three councils separately and jointly. This will be set out in the IAA in the form of a procurement protocol.

48. 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.
49. ICT Contracts: Southwark's ICT contracts register has been thoroughly reviewed and updated as part of due diligence activity. A forward plan detailing the treatment of each contract (retain, novate, renew, replace, cease) is well developed and will be completed prior to service commencement.
50. To facilitate more effective and efficient contract management a number of contracts will be novated to the shared ICT service. For those contracts remaining with Southwark, and until such time as identified contracts are novated, the retained ICT team will remain responsible for the contract however operational responsibility for monitoring and management of performance will be undertaken by the host authority.
51. Insurances and Liabilities: Work is in-hand to source an appropriate insurance policy for the services and responsibilities within scope of the shared ICT service. It is anticipated that this policy will be held by Brent as primary host authority with Lewisham and Southwark named on the policy. It is considered that, compared to the alternatives, adopting such an approach will be more simplistic and provide assurance of cover.
52. Should a policy as set out above be unavailable then (as to be agreed in the final terms of the IAA) each of the partner councils will be responsible for their own insurances but will adopt an approach of shared financial risk as is the case with the existing two-way shared ICT service. Officers are confident that insurance and liability issues will be resolved quickly and that they will not delay agreement of the final terms of the IAA.
53. Information governance and data protection responsibility: The IAA will set out each council's responsibilities arising from the Data Protection Act 1998.

Financial governance

54. Financial principles are set out in the inter-authority agreement and define the way in which costs for the shared ICT 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:
 1. The setting of each council's ICT budget is a decision reserved for each authority.
 2. Each authority understands that changes to their ICT budget may impact upon the shared ICT 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.
 3. 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.

4. The partners understand that the effectiveness of the shared ICT service is underpinned by forward planning and financial stability and that this may be best supported by a multi-year budget setting period.
 5. 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.
 6. The partners accept that the shared ICT 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.
55. 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.
1. User Based: Costs are apportioned to each authority based on their number of active users of IT services.
 2. Consumption Based: Costs are apportioned to each authority based on their respective use of the resource being recharged.
 3. 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.
 4. Sole Use: Resource can be identified as used by a single authority and is therefore recharged to that authority in its entirety.
56. One-off costs are anticipated from reorganisation activities as a result of staff transferring from Capita to the shared ICT service. A specific apportionment has been agreed for TUPE, pension, redundancy and reorganisation costs being apportioned Southwark (66%), Brent (17%) and Lewisham (17%). The cost of some ad-hoc contractual benefits protected by TUPE will be met by Southwark in the financial year 2017/18. Thereafter they will be incorporated into staff related support costs.
57. Staff within scope of TUPE will not be known until 28 days prior to service commencement and the total costs arising from TUPE and the subsequent reorganisation of the shared ICT service team will not be known until early 2018.
58. As would be expected with an in-house service, there is no service credit regime. 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.
59. Budget Setting: 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 consideration.

60. The shared ICT service draft financial principles and model are set out in detail in Appendix C.

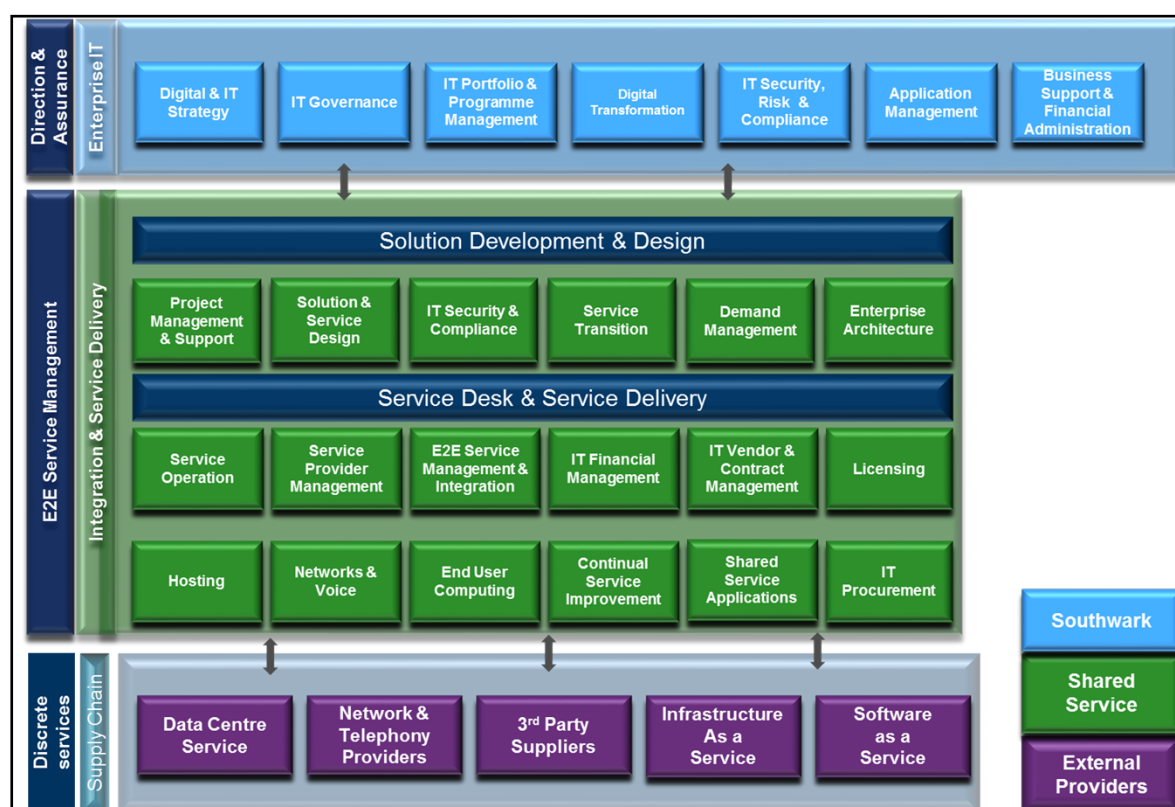
Plans for the monitoring and management of the ICT service

61. 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 appoint a dedicated Exit Manager by 1 July 2017.
62. 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.
63. Governance agreed in the IAA will be implemented. This will include a three-way management board which will review service performance. An effective service level regime currently exists for the shared ICT service. Key performance indicators (KPIs) have been reviewed and agreed. Reporting of these will be harmonised as far as practical to reduce management overheads of the service and reporting will include a balanced scorecard, risk log, budget monitoring and project highlight reports on a monthly basis.

Service solution

64. The draft operating model for the shared ICT service is shown in Figure 1.

Figure 1: Draft shared ICT service Operating Model



65. A detailed service description has been prepared. This sets out the service level agreement (SLA) including the support and response arrangements which are aligned to meet business requirements. The SLA is underpinned by key performance indicators (KPIs) which will be reviewed regularly to monitor service quality. The draft SLA and KPIs are set out in Appendix D.
66. Corporate and departmental applications will generally continue to be delivered as is; however support for applications currently supported by Capita will be transferred to Southwark's in-house applications team as set out in the ICT Strategy agreed by cabinet in November 2016.
67. Applications which are currently supported directly within departments will be reviewed with an active intent to centralise the associated resource and budget into the Southwark IT and Digital Services team. Southwark are also leading on the recruitment of a Senior Applications Manager (to be a shared resource across the shared ICT service) – who will drive the centralisation of applications within Southwark as well as work across all three authorities to identify and act on opportunities for the consolidation and rationalisation of applications. At this time the Southwark applications support team will not be merging into the shared ICT service.
68. The Southwark ICT organisational structure has been revised and comprises the resource to interface with the shared ICT service as well as local project, business relationship management and digital transformation resource and applications support.
69. From a technical perspective, Southwark will invest in new infrastructure which will be procured, commissioned and managed by the shared ICT service. Southwark will seek to leverage Brent's expertise and where appropriate their tried and tested solutions to enable deployment within Southwark faster than might otherwise be the case.
70. Aligning with the strategic outcomes (set out in paragraph 36) key objectives include establishing a stable, resilient and quality ICT 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.
71. Changing from our existing supplier to the shared ICT service will be undertaken in a number of planned phases:
 1. **Transition:** This phase has started with due diligence activity and continues to ensure as much as possible is known about the existing service. This phase includes agreement of the terms and entering into the IAA, installation of new hardware, recruitment of staff and assurance of the necessary skills and contracts to support the service. This phase includes "service commencement" on 1 November and is expected to conclude in December 2017 following a period of stabilisation.
 2. **Migration:** This phase is expected to start following the completion of transition and entails the migration of services from Capita's and Southwark's Tooley Street data centres onto new hardware hosted in shared ICT service data centres. Whilst the primary purpose is the "as is" migration of existing services it is inherent in the way this will be undertaken (including the implementation of new hardware) that service improvements will be achieved as a result.

3. **Transformation:** This phase runs both alongside and continues post the migration phase. The purpose of this phase is to implement targeted service improvements to ensure Southwark ICT services are modern, compliant, supportable and fit for purpose.

Service strategy

72. 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.
73. 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.
74. 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 further efficiencies will likely be realised as a result of future further growth, albeit that growth will need to be at a pace which does not create unnecessary risk to the service.

Risk management

75. 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** by highlighting urgent and common problems and possible solutions.
 - **Eliminate issues** from the risk register and add value back into the business.
 - **Benchmark risks** across the shared ICT service.
76. The joint head of ICT will report to the joint management board on the aggregate risk profile of the service.
77. 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.
78. 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.
79. The key risks associated with establishing the shared ICT service, transition and service delivery are in Appendix E.

Timetable

80. An outline timetable setting out the indicative programme has been included in Table 2 below.

Table 2 – Indicative programme

Activity	Complete by:
Brent Cabinet report and decision	19 June 2017
Southwark Cabinet report and decision	20 June 2017
Lewisham Cabinet report and decision	19 July 2017
Subject to Cabinet approval by all three Councils and completion of scrutiny and call-in periods	
Preparatory work for service commencement.	July 2017
Southwark ICT internal reorganisation completes	July 2017
Final terms agreed and delegation of ICT Service by Inter-authority agreement.	August 2017
Formal TUPE consultation period with Capita commences.	1 October 2017
Shared ICT service due diligence and preparatory activities conclude.	October 2017
Target date for service commencement.	1 November 2017
Stabilisation period (2 months)	December 2017
Target date for completion of Transition phase	31 December 2017
Shared ICT service internal reorganisation	Spring 2018
Service migration to new data centres	December 2018
Cease Capita contract for data centre hosting	December 2018

Policy implications

81. The IT service underpins almost every aspect of council services and is integral to the council delivering its promises and fulfilling its obligations.
82. The IT service is being developed to fully support the council's digital strategy and to enable the future transformation of council services and working practices.

Community impact statement

83. All three councils will ensure:
1. Recruitment and employment practices encourage equality of opportunity and respect for diversity. This will tackle barriers faced by specific groups, thereby

actively supporting the creation of a workforce that is representative of the local communities and our customers.

2. 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.
 3. They have systems in place to deal with any complaints of discrimination promptly, fairly, openly and effectively.
 4. They encourage other employers to adopt similar practices.
84. Recruitment of staff to the shared ICT service will be undertaken across all three boroughs to ensure equality of opportunity.
85. The shared ICT service organisation structure includes provision for nine apprentices which will be sourced equally from across the three boroughs.

Resource implications (staff)

86. Brent will act as the primary host authority and will be responsible for employing all staff engaged to deliver the shared ICT service. Separately, each authority will employ ICT staff as a retained ICT function.
87. To take on the existing Southwark ICT service from Capita and provide ICT services to the three councils, it is estimated that the shared ICT service will require an additional 34 staff, taking the team complement to 90 (excluding applications support staff).
88. 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 will potentially transfer from Capita to Brent (as primary host authority).
89. 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.
90. The shared ICT service staff complement includes provision for nine apprentices. It is expected that these will be sourced from within each of the partnership councils on an equal basis.
91. As part of exiting from Capita, it is proposed that the applications support function they provide under the ITMS contract is insourced to Southwark's IT & digital services team. This may result in the transfer of a small number of Capita staff to Southwark under TUPE. In that event, the council will comply with its obligations under TUPE and related legislative provisions.
92. In preparation for transition, there is a requirement to develop the skills and resource of Southwark's IT & digital services team to align with the roles and responsibilities arising from joining the shared ICT service, the increase in application support responsibilities and to better support Southwark's digital and transformation agenda. To enable this, the structure and composition of the Southwark's retained ICT function has been reviewed and consulted upon and a reorganisation is underway.

93. The new structure of Southwark's IT & digital services team includes some ICT staff currently located in and funded by departments who are to be centralised. Post reorganisation there will continue to be a number of areas where departments still retain local ICT resource and consequently further work will be undertaken with a view to centralising this resource as set out in the ICT Strategy and agreed by members.
94. The council'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.

Resource implications (Assets)

95. Ownership and title of existing assets (equipment, software, intellectual property) is unaffected by the establishment of the three-way shared ICT service. New or replacement assets purchased by or on behalf of the shared ICT service will (unless agreed otherwise) be owned jointly in shares equal to each council's contribution with depreciation and residual values apportioned accordingly. Intellectual property developed by the shared ICT service will be owned equally by the three authorities.

Financial implications

96. This report seeks approval to establish a three-way shared ICT service with the London Borough of Brent and the London Borough of Lewisham and the delegation of the delivery of the ICT service to London Borough of Brent as the primary host authority with a planned service commencement date of 1 November 2017.
97. 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).
98. An additional benefit of the shared ICT service is that Southwark will jointly have more influence over costs through collaboration and implementation of the partnership principles and governance.
99. Current estimates for all costs related to the shared service from transition through to business as usual will initially require a funding commitment in 2017-18 in the form of a call on reserves. In 2018- /19 the annual budget commitment is currently estimated to increase for both the housing revenue account and general fund by circa £2.3m. However in providing budgetary provision at this level, there will be an expectation that this commitment will reduce as the shared service settles into business as usual from 2019-20 and opportunities for savings become more apparent.
100. In addition to revenue costs, the ICT capital programme will incorporate those shared service costs that it is deemed can be capitalised, which at this point in time include transition costs and certain licence agreements.
101. The overall estimated payment to Brent as the host authority is £19.1m over a five year period, subject to final due diligence and other approved variations.

Consultation

- 102. A cross departmental group chaired by the strategic director of housing and modernisation has been established to oversee the development of the council's sourcing strategy, the resulting recommended service option and the effective improvement of the council's ICT service.
- 103. A series of senior stakeholder and advisor meetings incorporating representatives from all three partnership councils has been conducted.
- 104. A staff survey undertaken as part of a Society of IT Managers (SoCITM) benchmarking exercise provided useful information which is being incorporated into our requirements.
- 105. Due diligence included 15 business service review meetings.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

- 106. 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 is detailed in the inter-authority agreement and assurances provided to Southwark as part of agreeing to the service.

Director of Law and Democracy

- 107. This report requests the cabinet to approve the establishment of a 3 way shared ICT Service with Brent and Lewisham and the delegation of the delivery of the ICT service (within the agreed scope noted in this report) to Brent as the primary host authority as further detailed in paragraph 2.
- 108. As noted in paragraph 38, 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) regulations 2012. Article 9.2(b) of the Constitution permits the cabinet to establish joint arrangement with one or more local authorities to exercise executive functions, and acknowledges that such arrangements may involve the appointment of joint committees with those other local authorities.
- 109. The parties will enter into an inter-authority agreement to record the terms of the delegation, and how matters such as sharing of costs and governance arrangements are dealt with. Whilst significant work has been undertaken by the 3 councils, there remains further discussion on the final terms of the IAA. Approval is therefore sought to delegate agreement of those final terms to the strategic director of housing and modernisation.
- 110. This report also asks the Leader to agree to the establishment of a joint committee with Brent and Lewisham to support the governance arrangements of the shared service, the draft terms of reference of which are set out in Appendix B. The Leader has the power to establish this joint committee as a committee of the cabinet.

111. 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.
112. The cabinet and Leader'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 and Leader are specifically referred to the community impact statement at paragraphs 83-85 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

113. The strategic director of finance and governance notes the recommendations in this report which seek approval for the establishment of a three-way shared ICT service with the London Borough of Brent and the London Borough of Lewisham and the delegation of the delivery of the ICT service to London Borough of Brent as the primary host authority with a planned service commencement date of 1 November 2017.
114. In making this decision, cabinet are asked to note that work on due diligence and related planning and preparation activities will continue up to the commencement of the shared service. It is noted that the final terms of the inter-authority agreement are yet to be agreed.
115. The 2017-18 general fund budget for ICT services is £5.9m including a commitment of £1m for ICT re-organisation/restructure to increase in-house capacity to maintain/improve business as usual and develop/deliver the council's IT strategy, along with £130k for a range of updates, upgrades and enhanced server and system licences to support the enhanced IT infrastructure.
116. The financial implications highlight that the current estimates for all costs related to the shared service from transition through to business as usual are likely to exceed existing budget provision, and if these cannot be met from elsewhere within the department will have to be funded by reserves.
117. The 2017-18 general fund budget also planned for efficiencies of £655,000 within ICT which are not now expected to be achieved, representing a further pressure on maintaining a balanced budget in 2017-18.
118. Some of the ICT costs are properly charged to the Housing Revenue Account (HRA) and there is a commitment of £475k in the 2017-18 HRA budget for ICT costs.

119. The shared service is one component of a wider ICT service offer. As the shared service moves from transition to operating as business as usual, including the transfer of some elements from in-house to the shared service, it is estimated that the council will be asked to approve ongoing revenue commitments from 2018-19 of £2.3m for the ICT service as a whole. These will be split between the HRA, general fund and capital programme. When costs are known these will need to be incorporated into Southwark's budget setting processes for 2018-19.
120. While this sum represents a significant increase in ongoing funding, it also builds in some additional contingency specifically to cover those costs that cannot reasonably be estimated at this stage, and which, if not required, can be given up for alternative use in future years.
121. There is an intention to capitalise relevant ICT costs. The capital programme of February 2017 included a total commitment of £18.2m for ICT over 10 years. As at February 2017, the council's general fund capital programme is over committed (underfunded) by £144m in 2017-18, and by £293m over the life of the programme.
122. A number of IT services will continue to be procured and funded directly by departments. The implications of this for departments will need to be managed within departmental budgets.
123. In addition to the costs of the shared service, the council will retain an in-house team, and the costs of this are not reflected in this report.
124. The overall estimated five year cost of the council's ICT arrangements is estimated to be around £48m, of which the amount payable to Brent as host authority is estimated to be around £19m. The ICT service requirements will be reviewed annually, aligned to the funding approved by each of the partnership councils, and appropriate options identified. There is a longer term aim for the shared service to achieve efficiencies and cost reductions, and this may have a positive impact on future year's budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Gateway 0 IT Managed Services Sourcing Options	Housing and Modernisation / Information and Data Services	Chris Anderson, ICT Strategy Manager (Interim)
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
Link: http://moderngov.southwark.gov.uk/mgIssueHistoryHome.aspx?IId=50009040&Opt=0		
ICT Shared Service with Brent and Lewisham	Housing and Modernisation / Information and Data Services	Mark Compton-James – Head of Information Technology
Link: (copy and paste link into browser) http://moderngov.southwark.gov.uk/documents/g5378/Public%20reports%20pack%20Tuesday%2007-Feb-2017%2016.00%20Cabinet.pdf?T=10		

APPENDICES

No.	Title
Appendix A	Partnership principles
Appendix B	DRAFT - Governance and Terms of Reference
Appendix C	DRAFT - Financial Principles
Appendix D	DRAFT - Service Levels and Key Performance Indicators
Appendix E	DRAFT – Risk Register

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 IT and Digital Services Chris Anderson, ICT Strategy Manager (Interim)		
Version	Final		
Dated	8 June 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			9 June 2017