

APPENDIX C

DRAFT - Financial Principles

1. The financial principles set out the way in which costs for the ICT Shared service are apportioned to each of the partner authorities.
2. It is important to note that costs could be apportioned in a number of ways, each with an underlying logic and validity, and there is often no right answer. Arguably, the most important aspects of the financial model are:-
 - that it sets out to apportion costs fairly across all three authorities,
 - that costs are transparent,
 - that the partners work in a climate of mutual trust
 - that, over time, the principles are developed to reflect changing service delivery requirements, methods and circumstances.

General Principles:

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

Apportionment Metrics:

4. The financial model uses four means of apportioning costs to the partner authorities.
 - i. User Based:

Costs are apportioned to each authority based on their number of active users as determined by live "Active Directory" user accounts rounded to the nearest one hundred.

Table 1: Active Directory Users as at 1/06/2017

<u>2017/18 Active Directory User Count</u>			
	<u>LB Brent</u>	<u>LB Lewisham</u>	<u>LB Southwark</u>
Active Users	3000	2500	4500
User Based Apportionment	30%	25%	45%

ii. Consumption Based:

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

iii. Equal Apportionment:

Costs are apportioned with each authority paying (33.3% or 50%) a percentage of the cost depending upon the number of partners benefitting. An example being a project which is of equal benefit to all three councils.

iv. Sole Use:

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

Shared Service Costs:

5. Shared service costs can broadly be categorised as:-

- i. Staff costs: Including staff salary and associated on-costs (NI, pension, holiday pay, sick pay, etc), overtime, allowances, training, travel, etc.
- ii. Staff Overhead costs: Including accommodation costs, supporting staff and services (HR, payroll, pension, legal, procurement, management).
- iii. Infrastructure costs: Including infrastructure hardware and software, data centre hosting, core network connectivity, internet connectivity, storage, backup, security services, 3rd party support and maintenance agreements, consultancy, etc.
- iv. Project Costs.
- v. Transition and other one-off costs
- vi. TUPE and other one-off staff costs

Staffing and Infrastructure Costs:

6. Staffing and infrastructure costs will initially be apportioned as set out below.

Table 2 Apportionment Model 2017-18

Apportionment Model 2017-18		
Type	Description	Apportionment method
Staff and Staff Overheads	Staff employment related costs and associated overhead costs for Shared Service staff and supporting services	User Based
ICT Hardware	Hardware used by ICT staff – desktops, monitors, laptops, etc	User Based
Consultancy	External specialist support as and when required for BAU.	User Based
Consultancy	External specialist support as and when required for project or Council specific requirement.	Consumption
Hardware Maintenance	General repairs of workforce desktops, laptops, monitors – excludes consumables like batteries, keyboards, mice	User Based
Data Centre Hosting	Rack space including power (core).	User Based
	Rack space including power (service specific).	User Based
Shared Infrastructure	Support and maintenance of core network, server and storage infrastructure cost.	User Based
Network Maintenance	Support and maintenance for core network	User Based
Internet & PSN Connectivity	Resilient internet links with PSN services.	User Based
Premier Support	Microsoft Premier Support Agreement	User Based
Security Testing	Ongoing testing (PSN, PCI DSS)	User Based
Service Desk	Licence Subscription for Service Desk system	User Based
Service Desk	Licence Subscription for Council Application Admins	Consumption
Password self-service	Maintenance & Support for Quest Password Manager.	User Based
SQL Replication	Maintenance & Support for Double-Take software	Consumption
Data Centre Links	Links to connect each authority with the data centres and/or core network.	Sole use

Web Filter	iBoss licences.	User Based
Email Filter	Proofpoint licences.	User Based
Mobile Device Management	Maintenance & Support for Mobile Iron	User Based
2-Factor Authentication	Maintenance & Support for Freja Appliance licences.	User Based
Microsoft Licences	EA subscription covering Desktop licences, Office products and Server components.	Sole use
Certificates	Certificates for external web sites/services	Sole use
Citrix Licences	Citrix Support & Maintenance	Sole use
Virtualisation Licences	VMWare Support & Maintenance (core)	Sole use
	VMWare Support & Maintenance (service specific)	Sole use
Telephone Network	Maintenance & Support of telephony network including ACD	Sole use
Telephony Lines & Calls	All telephony circuits / PSTN / call charges	Sole use
Mobile Telephony	Mobile phone line rentals, call charges, data charges	Sole use
Data Circuits	Rental of all Wide Area Network data circuits	Sole use
Printing	Maintenance & Support of print devices and print charges (including consumables)	Sole use

7. Except where identified above or as otherwise agreed by the joint management board and/or joint committee, each authority will meet the cost of their local (non-shared ICT service) ICT staff, applications and other ICT services.

Project related costs:

8. It is anticipated that many projects will be delivered using the BAU project and technical support teams. The salary and on-costs for these staff are covered within the staff related support costs and therefore for many projects no additional funding will be required for staff resource. Funding of infrastructure (hardware, software, licences, etc) required to deliver a project may still need to be funded and where this applies funding will be apportioned as set out in infrastructure related support costs.
9. Some projects will be of such size or technical complexity that they require additional resource or skills or backfill staff. Where this is the case such costs will be met by the commissioning beneficiary authorities. Unless for a single authority or agreed otherwise, project resource costs will be apportioned on an equal basis where:- Two authorities – 50% : 50%. Three authorities - 33.3% : 33.3% : 33.3%.

10. The authorities accept that project requirements will vary year to year and therefore apportionment of resource may not mirror cost apportionment in any single year – but should average out over a longer period.
11. Where appropriate Southwark intend to recharge project costs to internal departments. Southwark and the shared service will therefore agree a notional rate card for shared service support resources and the PID for each project will identify the estimated resource requirement and notional rate. Southwark will be responsible for undertaking the internal recharge process.

Transition and other one-off costs:

12. Developing the shared service offer, due diligence and subsequent transitioning is being treated as a project. Costs for the first two phases of transition will be defined and will be met by Southwark. These costs are included in the estimated budget for year 1 of the service and Southwark will look to capitalise these.
13. Transition costs for phase 3 will be a combination of one-off costs which Southwark will fund and use of the BAU project resource which Southwark will contribute to as of the go-live date.

TUPE, reorganisation costs:

14. TUPE, , pension, redundancy and reorganisation costs arising from the transition of Southwark's services from Capita and any reorganisation required as a result of this will be funded by Southwark (66%) and Shared Service (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.
15. Unless agreed otherwise by the joint management board and/or joint committee, any subsequent staff related costs arising from reorganisation of the shared ICT service will be funded using the user based metric applicable at that time.

Budget setting:

16. The shared ICT service budget will be reviewed in August/September for the following financial year taking into consideration service performance, inflation and other cost pressures, authority savings targets, the requirement to increase or decrease resource as a result of changes in service requirements or demand and any other factors considered relevant.
17. The proposed budget requirement will be agreed by the shared ICT service joint committee no later than 30 November.
18. The partner authorities will be responsible for agreeing the ICT budget within their respective authorities.
19. Any variation to the agreed budget of any of the partner authorities will be notified to the joint head of ICT at the earliest opportunity so that appropriate service arrangements can be considered and implemented.

Billing:

20. The shared service will produce a quarterly invoice in arrears for all staff, infrastructure, third party, project and other costs incurred on behalf of Southwark.

21. The shared service will take over and continue to provide itemised billing for telephony and printing to facilitate recharging within Southwark. This is an area for review in the future.

Financial Review:

22. At the end of each financial year the joint head of ICT will prepare a financial service report detailing the service and financial performance of the shared service for the previous 12 months and setting out the financial commitments for the coming 12 months.
23. Any surplus or deficit for the current financial year will be identified and advised to the joint management board for their decision as to how the surplus/deficit should be treated.

Managing Change:

24. Any changes to the level of service commissioned by the authorities during the year, or in the associated service costs, will be reported to the Joint Management Board for consideration. It is expected that this will occur annually to align with budget setting; however the joint head of ICT may bring a report to the board at any time if the change impacts the service or budget such that it warrants their early attention.
25. Unless agreed otherwise savings will be apportioned to authorities using the same cost metric as was used for charging.

Income:

26. Unless agreed otherwise by the joint management board, any income generated from using shared service resources to deliver services outside of the agreed partnership will be apportioned to the partner authorities using the user based metric.

Expansion of the ICT Shared Service:

27. Should the shared service expand in the future the joint management board will review and agree the metrics to be used. It is expected that any expansion of the partnership must be to the benefit of all existing partners.