



Report of: Executive Member for Finance, Performance and Community Safety

Meeting of:	Date	Ward(s)
Executive	29 November 2018	All

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SUBJECT: Shared Digital Update

1.	Synopsis
1.1	<p>This report provides an update to Executive on Islington's shared digital service with Camden and Haringey.</p> <p>It has become clear that the three councils have different local priorities and approaches with regard to ICT and digital services. As such, new arrangements are needed to ensure that each council has the most suitable set-up in place for its own local circumstances and projects.</p> <p>This report therefore sets out the process to discontinue the Shared Digital arrangement with effect from 31 December 2018, ensuring a rapid process to secure stability for our ICT and Digital services in Islington.</p>
2.	Recommendations
2.1	<p>To note the achievements of the shared service, including some operational improvements and the ongoing delivery of £2.4m of savings.</p>

<p>2.2</p> <p>2.3</p> <p>2.4</p>	<p>To agree that the Executive resolutions made on 19 July 2018 are not progressed but that instead a local Islington Council digital and ICT service will become operational ahead of the ending of the shared service, anticipated by 1 January 2019.</p> <p>To delegate authority to the Corporate Director of Resources to put the above into effect and agree any final details of the transition, including finalising any further transitional and operational arrangements and dates for incremental transition of the individual elements of the service.</p> <p>Delegate authority to the Director of Financial and Asset Management (Statutory Section 151 Officer) to agree the final financial position between Shared Digital (Islington, Haringey & Camden) and Islington.</p>
<p>3.</p>	<p>Background</p>
<p>3.1</p> <p>3.2</p> <p>3.3</p> <p>3.4</p> <p>3.5</p>	<p>This report is submitted for consideration by the Executive because it has become clear that the three councils have different priorities and approaches with regard to ICT and digital services. This means that the proposed ICT and Digital Shared Service ("Shared Digital"), agreed by the Executive on 19 July 2018, can no longer be implemented and it is necessary to revert to local operations to maintain integrity of service.</p> <p>Shared Digital was created by the London Boroughs of Camden, Haringey and Islington and formally came into existence in October 2016. The agreed principles of that service were that it should be a 'high trust' model, operating with fully integrated staffing, and with an open-book, transparent approach, encompassing all areas of ICT and digital services, in which all three boroughs would be engaged. As a result of that model, there was also expected to be equality of investment and risk and therefore equal shares of benefit, saving and underspend. Governance was via a Joint Committee structure with two executive Members from each council acting as members of that committee.</p> <p>In July 2018, it was agreed to amend the basis of the proposed Shared Digital service from that fully integrated approach to a "lite" model that focussed on shared infrastructure whilst maintaining the core principles of: 1) shared investment / shared savings and 2) a high trust approach to sharing across boroughs. Executive agreed a delegation of authority to the Corporate Director of Resources, in consultation with the Director of Law and Governance, to take all necessary steps to put arrangements for the new governance model into effect, including but not limited to finalising the detailed specifications and resource implications of the Shared Functions, the terms of a revised inter-authority agreement for the operation of the three-way Shared Digital service and a commencement date for the new model including the date for the TUPE transfer.</p> <p>It has become clear that our interpretation of these principles is no longer shared and therefore it is no longer possible or practical to implement a full shared service or indeed a 'lite' version of it as envisaged.</p> <p>Nonetheless, since we established the shared service in October 2016, a great deal has been achieved by working together. Shared technology and joint procurement projects are on track to deliver annual savings of £2.4m for the councils. Shared Digital has also delivered some operational improvements, including collaboration tools and facilities to</p>

	support flexible working and to enable secure working on the move.
	Proposal and Reasons
3.6	The Inter Authority Agreement between the three councils stipulates a notice period to end the shared service arrangement of 18 months. This can be varied by agreement. Following review and analysis, it has been determined that the arrangement can, and should, be ended by the end of the 2018 calendar year. It is proposed that the shared service should be ended by 31 December 2018 and for local services to return to full operation by or on 1 January 2019; this reduces the notice period by mutual agreement and waives the 18-month decoupling period required in the Inter Authority Agreement
3.7	This means that we will no longer share services but will retain a complete local digital and ICT function, while potentially cooperating on some procurement activities and contracts, as we already do on a range of services as a matter of course.
3.8	Resources and services will be transferred back to local teams over the coming weeks. We anticipate that most elements of the service will be transitioned during November, with the shared arrangement formally ending by 1 January 2019.
3.9	This will require a pragmatic transition from the shared service. The transition will be undertaken at pace and will be incremental to facilitate a managed change for Islington and its staff.
3.10	Officers and staff operating within Shared Digital remained employed by their original boroughs and are 'shared' under the terms of instructions issued pursuant to section 113 Local Government Act 1972. It is intended that we will rescind those instructions in tranches until 31 December 2018. The intention is to release officers and councils from their section 113 obligations at the earliest practical opportunity for each officer, such that the impact on any business-as-usual IT service will be limited or non-existent. It is not anticipated that any TUPE will be necessary or apply.
3.11	Camden has acted as the hiring / engaging body for all agency workers/ contractors / consultants for the last 18 months. Where such people are engaged solely in the operations of a single borough, early transfer of those contractors will be effected, with Camden ceasing to be the 'employing' or 'managing' borough on transfer. TUPE will not apply, as the above individuals are not employees.
3.12	The Senior Leadership Team for Shared Digital (SDSLT) were appointed on the basis of the shared service being operational and an ongoing service. Camden is the employing borough for all of those included in this group and consultation has already been held between those officers and management in Camden to consider the impact this change will have on them. It is anticipated that some of these roles will end by 31 December and others will be reviewed to identify if there is a requirement for them to continue to support transitional arrangements. Employees impacted by these changes will continue to be supported through the organisational change process.
3.13	The Inter Authority Agreement between the boroughs confirms that any reasonable redundancy costs incurred as a result of this change will be met on an equal-shares basis by the three boroughs. Whilst redundancy is not a necessary impact of this

<p>3.14</p> <p>3.15</p> <p>3.16</p>	<p>change, it is expected that should any occur it will not extend beyond those existing shared posts.</p> <p>Camden, as the host authority for the shared service, has acted as the purchasing body for ICT and digital contracts for the three boroughs over the last 18 months. Work will be undertaken to ensure that, where appropriate, contracts are transferred or novated to the respective boroughs. This will require some level of pragmatism. For instance, where a contract is due to end shortly after the implementation date of this change, it may be sensible to allow it to continue running. All renewals of existing, non-shared contracts will be reverted to the appropriate borough with immediate effect.</p> <p>A small number of contracts which remain shared and are delivering the savings set out for all three boroughs will continue to be administered by Camden for their duration. Costs of this continued administration will be calculated and, where practical, shared. Any change to the current arrangements for these shared contracts will have an adverse effect on the savings that are achievable.</p> <p>The three Directors of Finance have been tasked with ensuring a prompt closure of the positions in respect of the 2017/18 and 2018/19 finances. The same group has been asked to consider any consequential and contingent costs that may be incurred by Camden in the management and administration of the residual shared contracts and to recommend a means of defraying those costs across the three boroughs</p>
<p>3.17</p>	<p>Options Appraisal</p> <p>In light of the decisions made by the partner boroughs, to the effect that Shared Digital should be closed, and that our interpretation of the principles which underpinned the service is no longer shared by all three councils, it is not practical to pursue another option at this stage.</p>
<p>3.18</p> <p>3.19</p>	<p>Key impacts and risks and how will they be addressed</p> <p>There remains a number of operational risks in moving away from the shared service. Robust governance arrangements will be put in place to oversee the transition. In Islington, we continue to explore how to develop an approach that means that we can continue to have an effective, innovative ICT and digital service that remains at the leading edge of local government digital thinking.</p> <p>There are two principal risks that are particularly noteworthy:</p> <ul style="list-style-type: none"> • <i>Impact on staff</i> is the highest factor for consideration and is being managed by careful communication and engagement by the current Shared Digital leadership with the workforce and Trades Unions. At all stages, we are aiming to communicate with local teams at the earliest opportunity. For most staff across the service, the impact will, in fact, be negligible, as staff have been operating cross-borough under s113 and so have remained employed by their original borough. There are also limited arrangements whereby we have integrated teams. As such, we will look to terminate all s113 arrangements by 31 December 2018. There has been regular engagement with relevant

	<p>staff and trades union representatives.</p> <ul style="list-style-type: none"> • <i>Impact of delay:</i> all planning for transition from a shared service to local ICT and Digital teams is based on a conclusion at the end of the 2018 calendar year. Should this timeline slip, the resultant impact would be to increase uncertainty and artificially extend management arrangements which, in effect, will already be unrealistic (i.e. boroughs are already planning projects and work on the basis that there will be no shared service).
<p>3.20</p>	<p>Timetable for Implementation</p> <p>The following workstreams will be created under the management of a Transition Board – consisting of the Executive Director responsible for Corporate Services for each of the three councils. In the case of Islington, this is the Corporate Director of Resources.</p> <ol style="list-style-type: none"> 1) People: This strand will work through all matters related to people, roles and current agreements/statutory elements. As part of this, we will seek to work with staff to ensure that they are fully aware of the process and what this means for future local approaches. 2) Finance: This will finalise all outstanding financial matters; to agree budget management positions until 31 December and to agree the manner in which costs for administration of shared contracts will be implemented. 3) Contracts: We will need to disaggregate and determine return dates and methods for all non-shared contracts. As part of this, we will review all shared technologies and establish principles and controls for any contracts for shared technologies moving forward. 4) Existing Projects (including 'in flight' procurement): We will evaluate existing shared projects to establish how these projects will be continued in the context of digital services being brought back under local control. <p>All workstreams will be instructed to complete their work, or to have agreements in place for any ongoing 'shared' contracts, etc, by the end of December 2018.</p>
<p>4.</p>	<p>Implications</p>
<p>4.1</p>	<p>Financial implications:</p>
<p>4.1.1</p>	<p>From 2017/18, Shared Digital has been operating under a combined revenue budget, based on an agreed baseline funding requirement for the service. On the basis of shared investment, risk and reward, all revenue expenditure is shared equally between the three councils. The budget, and individual council contributions, were approved by the Shared Digital Joint Committee on 19 June 2017.</p>
<p>4.1.2</p>	<p>Under the terms of the Inter Authority Agreement, Haringey and Islington are required to contribute the agreed budgeted amounts to Camden with a settlement payment due</p>

	<p>at the end of each financial year to ensure that the full costs of the service are shared between the three partner authorities. In a situation where bespoke work or costs have been incurred on behalf of one council, those costs are fully funded by that respective council.</p>
4.1.3	<p>By discontinuing the shared service and moving back to a sovereign approach, the combined budget will revert back to the three individual councils. Work is currently being undertaken to unpick the current financial arrangements and to establish the process for managing the transition, including the calculation of any final settlement payment due to Camden.</p>
4.1.4	<p>One of the drivers in establishing the shared service was the expected delivery of savings. This was estimated at the outset to be £6m per annum across the three authorities once fully operational, with all savings to be split evenly. This would be delivered through an even reduction in contribution payments from each authority to the shared service. The change in approach from a fully integrated shared service to the SD Lite model sought to consolidate the savings initiatives already agreed. This amounted to £2.4m in total and, shared equally, equated to £0.8m savings for Islington. As part of the work to disaggregate the financial arrangements, we will need to establish whether this equal apportionment of saving can be delivered. The longevity of any such proposal will also need to be considered, in line with the contracts which Camden still expect to manage for the three authorities.</p>
4.2	Legal Implications:
4.2.1	<p>Under the terms of the inter authority agreement between Camden, Islington and Haringey any party may withdraw from the agreement by giving the other parties 18 months' written notice in advance or such notice period as otherwise agreed. It will therefore be necessary for all three parties to agree the final notification period in order for the shared service to end as anticipated on the 1 January 2019.</p>
4.2.2	<p>The Agreement places an obligation on all parties to co-operate in terminating or novating any contractual arrangements and to use best endeavours to secure an amicable financial settlement. Any relevant termination provisions including those pertaining to the employees of the shared digital service who are directly impacted by the termination of the agreement will need to be observed by the parties.</p>
4.2.3	<p>The Councils should adhere to all the relevant legal processes when dealing with the employees who may be affected by the above termination, including the provision of notice and consultation. This will reduce the risk of legal challenge for unfair/redundancy dismissal and breach of contract.</p>
4.4	Resident Impact Assessment:
4.4.1	<p>The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must</p>

	<p>have due regard to the need to tackle prejudice and promote understanding.</p> <p>At this point in time there are no material resident impacts.</p>
5.	Reason for recommendations
5.1	It has become apparent that the decision taken by Executive on 19 July 2018 can no longer be implemented due to the three councils having different local priorities, approaches and needs with regard to ICT and digital services. As such, new arrangements are needed to ensure that each council has the most suitable arrangements in place for its own local circumstances and projects.

Appendices: None.

Background papers: None.

Final report clearance:

Signed by:		20 November 2018
	Executive Member for Finance, Performance and Community Safety	Date

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