



Report of: Executive Member for Finance and Performance

Meeting of	Date	Ward(s)
Executive	10 March 2016	All

Delete as appropriate	Exempt	Non-exempt
-----------------------	--------	------------

SUBJECT: Islington, Camden and Haringey ICT Shared Service

1 Synopsis

- 1.1 This report seeks approval for Haringey to join the Islington and Camden shared ICT service and for a joint committee of the three councils to commence from 1 October 2016.
- 1.2 In September 2015, Islington Council and Camden Council agreed to set up a shared ICT service governed by a joint committee from April 2016, reviewing its governance arrangements twelve months later. Haringey commissioned the Society of Information Technology Management (SOCITM) to carry out a high-level assessment of the ICT services in Haringey and to consider the possibility of Haringey joining the shared service set up by Islington and Camden.
- 1.3 Following the review, SOCITM found a clear alignment in the strategic direction of all three councils and in the outcomes required from their respective ICT functions to deliver change and support future savings plans within their organisations.

2 Recommendations

- 2.1 To agree to establish a shared ICT service between Islington, Camden and Haringey councils;
- 2.2 To agree that an executive joint committee be established with the London Boroughs of Islington, Camden and Haringey to oversee the shared service, with a review of governance arrangements performed within 12 months of its inception;
- 2.3 To note that the terms of reference for the Joint Committee may be agreed by the Leader.
- 2.4 To authorise the Assistant Director (Governance and HR) to enter into the Joint Committee agreement (as approved by the Leader) and any additional legal documentation necessary for the establishment of the shared ICT service. This does not extend to the establishment of any future commercial governance arrangement or operating models, which would require separate member approval;

- 2.5 To note that Islington's maximum contribution to the cost-of-change budget will remain at £2.5m. The same level of contribution will apply to all three councils, leading to a maximum total cost-of-change budget of £7.5 m to support the transition across the three boroughs;
- 2.6 To note that the minimum level of savings expected for Islington and for each of the other two councils is initially £2m per borough per annum, but that there is a clear intention to maximise the opportunity of the three-council shared service to deliver over time in excess of £6m pa savings;
- 2.7 To note that costs and savings for the core service offering will be shared on an equal basis between the three boroughs, subject to due diligence, and that any variation shall be agreed by the finance directors.

3 Background

- 3.1 In March 2015, Islington and Camden commissioned SOCITM to carry out a high-level assessment of the ICT services in both organisations and to consider the possibility of establishing a shared service. SOCITM found clear alignment both in the strategic direction of both councils and in the outcomes required from their respective ICT functions to deliver change and support future savings plans within their organisations.
- 3.2 Islington's Executive and Camden's Cabinet agreed in September 2015 to establish a shared ICT service. This would serve to create one integrated operating model with an existing combined net revenue budget of £29m and 313 Full Time Equivalents (FTE) working across both councils. It was anticipated that initial arrangements would be in place for April 2016, governed by a joint committee. Once fully operational, it was expected that this would deliver annual revenue savings of £4 million per annum in total, shared equally, with an overall reduction of 50 FTEs.
- 3.3 In considering the strategic direction of the shared service, there were three overarching objectives to the original high-level business case for Camden and Islington:
 - Delivering value for money and cashable financial savings;
 - Consolidating the expertise and best practice from both ICT services into one integrated and high-performing service, and;
 - Creating a public service structure that is resilient and is able to better withstand market conditions from both local government and beyond.
- 3.4 Since the decision in September 2015, work has progressed on developing the original shared ICT service proposed. A recent significant development, which impacts on the original approach, is the expression of interest from Haringey to join the shared service.

4 Haringey

- 4.1 In August 2015, Haringey made a decision to explore options to join the shared service set up by Camden and Islington. SOCITM were appointed to carry out an exercise to review the benefits and establish a possible business case for Haringey council joining. SOCITM have now recommended that Haringey look to join the shared service with Islington and Camden.
- 4.2 For Haringey, joining the shared service with Islington and Camden would help it with:
 - Delivering value for money and cashable financial savings;
 - Consolidating the expertise and best practice from both ICT services into one integrated and high-performing service;
 - Creating a public service structure that is resilient and is able to better withstand market conditions from both local government and beyond; and
 - Benefit from the transformational projects which have been already delivered in Islington and/or Camden.

5 The case for a three-council shared ICT service

5.1 While Haringey have a business case that supports joining the Islington and Camden ICT shared service, consideration needs to be given by Islington and Camden to the business case for a three-council shared ICT service, as opposed to continuing with the agreed two-council shared service.

5.2 In this regard, the SOCITM review for Haringey looked at not only the rationale for Haringey to join the shared service but also the business case to support a three-council shared service. The SOCITM review found a clear alignment in the strategic direction of all three councils regarding the outcomes required from the respective ICT functions to deliver change and support future savings plans within their organisations.

5.3 In summary, SOCITM found:

- **Commonality in corporate transformation objectives** that offer the opportunity to save money and accelerate delivery by doing things together and sharing investments, as set out in the digital strategies across the three councils. Opportunities include Customer Access and Workforce collaboration and mobile working.
- **Commonality in the use of key service applications** that offers opportunity to align applications support, improve supplier management and potentially consolidate applications in future to drive further savings and service improvements. With the three councils there will be more opportunities to align key applications, in some instances such as in planning and building control the three councils use the same application and, in other instances, two of the councils will use the same applications. The opportunity to take advantage of commonality in applications is greater with three councils involved.
- **A shared need to review future datacentre provision.** This offers a significant opportunity to take an integrated approach across the three councils and develop a consolidated datacentre approach that will save money, improve resilience and provide a platform to widen the partnership further or provide services to other public sector bodies. Across the three councils there are currently six data centre sites. Each council having their own main data centre plus a back-up provision. There is a clear case for rationalisation and consolidation. Also, there is a need to look at the strategic approach to datacentre provision. Islington and Camden as part of their shared service work commissioned a strategic review of datacentre provision which, being aware of the Haringey interest, took their provision into account. The councils are now well positioned to move forward in this area.
- **The Target Operating Model initially proposed for Camden and Islington could be retained and scaled up** to work across three councils.
- **An enriched and rewarding working environment.** The creation of a shared service would also provide staff with the opportunity to work in an integrated way across three large organisations. This would create a greater range of career and work development opportunities. It would also open up the potential, in the medium term, for local apprenticeships and links to educational establishments. It is hoped that this strategy would help to manage the current risks around recruitment and retention and ensure that the organisations benefit from a wider and deeper talent pool of staff.

5.4 In addition to the opportunities cited above, the review also identified a series of benefits that could be delivered in the short to medium term. These include:

- Accelerate the integration of support for systems and infrastructure (e.g. single helpdesk, shared networks) to deliver more immediate financial savings, improve knowledge sharing and reduce dependency on agency staff;
- The potential to accelerate the implementation of digital platforms that are being successfully used in one council, but not yet available in the others, to deliver savings and transformation.

5.5 Consideration has been given as to whether Islington and Camden should continue as planned and consider Haringey's involvement at a later date or whether Haringey should join the shared service now. On balance, the view is that Haringey should join now, for the following reasons:

- For Haringey, joining the shared service is a 'now or never' proposition. If unable to join the ICT shared service now, Haringey council will need to pursue an alternative course which would highly likely preclude them from joining Camden's and Islington's shared service at a later date.
- It is sensible for the councils to undergo this significant upheaval once, rather than repeatedly, so it makes sense to bring Haringey onboard from the outset. In particular, the design of the ICT shared service target operating model is quite different for a three-partner ICT shared service to what it would be for a two-partner one.
- Adding Haringey into the shared service further de-risks the merger in that a larger service will offer more resilience to external shocks.
- A three-way dynamic will diminish the risk of any mistaken perception that what is proposed is a takeover of one borough's IT service by another.

6 Risks of Haringey joining

6.1 SOCITM highlighted a range of significant differences and challenges ahead to deliver an integrated shared ICT service across the three boroughs, namely:

- A difference in structural approaches to the management of IT/Digital Services, which will need to be aligned to achieve the full benefits of a shared services.
- Cultural differences between the three Councils' IT Services which will need to be aligned (or replaced) through the development of a new shared culture conducive to the optimal operation of the new shared service.

6.2 One of the pieces of work undertaken since the September decision has been the development of a detailed risk register. This will be updated to reflect, if agreed, the risks for the three-council shared service.

7 Financial Business Case

7.1 SOCITM also updated their high-level financial analysis. Between Islington and Camden there is a combined net revenue budget of £29m with 313 Full Time Equivalents working (FTE). A three-borough approach would bring an additional revenue budget of £14m and a further 92 FTEs into scope, creating a combined budget of £43m and a workforce of 400 approx FTEs.

7.2 In addition to the workforce savings, the financial model assumes 11 per cent savings on non-staff costs through the removal of duplicated spend and the integration of contract and software licensing. This is based on the research of other shared ICT services. The experience from other ICT shared services is that they have over time delivered savings of close to 20 per cent. This is seen as a prudent estimate.

7.3 The finance directors of the three councils have looked at the financial case and believe not only that the proposed £6m savings is deliverable but with the larger scale providing more opportunities, over time the three council shared ICT service would look to deliver in excess of the £6m of savings pa. The cost of change contributions would remain at the same maximum level of £2.5m each, as previously agreed between Islington and Camden, but now providing greater capacity for the change at a total of £7.5m.

7.4 Consideration has been given to basis on which to apportion savings from the shared ICT service to the three councils. The agreed basis between Islington and Camden was a 50/50 split as the existing expenditure baselines were virtually the same. While Haringey has a different mix of

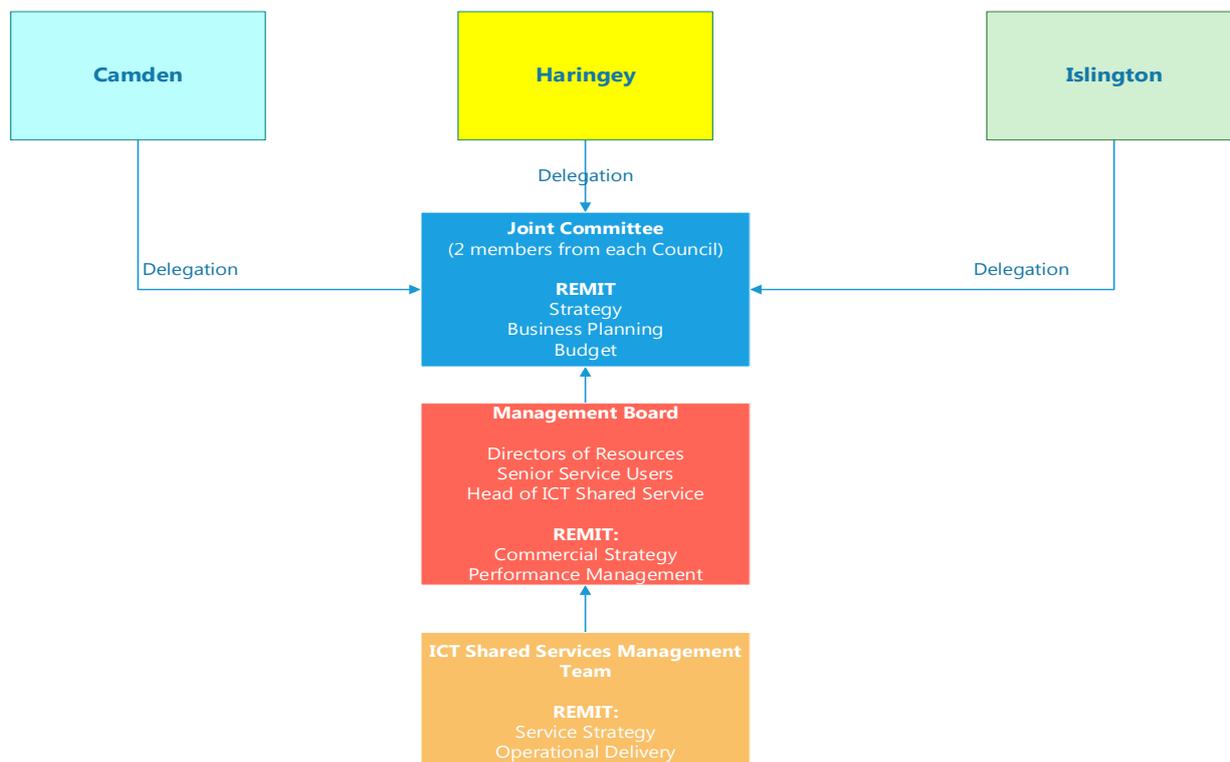
expenditure between in-house and outsourced provision, the total expenditure baseline is broadly of a similar level to both Islington's and Camden's. In determining the approach for the three council shared ICT service, fairness is a key consideration. This must be balanced against the need to avoid unnecessary complexity and bureaucracy. It is also felt that any arrangement should align with and not undermine the spirit of the proposed integrated service delivery model. Therefore, and subject to the conclusion of financial due diligence, it is proposed that savings will be shared equally by the three councils. The finance directors will keep this basis under regular review to ensure fairness.

- 7.5 Regarding investment expenditure there may well be occasions when each council will wish to invest in a local priority. Equally, there may well be times when one council is slightly more advanced than the other in a certain area of the business and in order to progress a joint undertaking, that council will require further investment. In these instances, it would be expected that the costs of any focused investment would fall directly on the council in question.

	Total
Summary	£000s
Total Annual Savings	6,000
Total Investment Cost	7,500
End State FTE Reduction	66
Annual Savings	
Staff Savings	3,400
Non staff savings	2,600
Total Annual Savings	6,000
Investments and One-Off Costs	
Project Team Cost (External)	3,000
Capital Investment	2,500
Severance Pay	2,000
Total Investment and One-off Costs	7,500

8 Governance

- 8.1 From the outset, it was recognised that the governance arrangements needed to be light touch and as streamlined as possible. In September 2015, it was agreed that a joint committee would be established to oversee the shared service with a longer term option to move towards a more commercial model.
- 8.2 Under the current proposals, the three-council shared ICT service would operate under a joint committee structure. In its follow-up work, the SOCITM review recommended that Haringey join under the joint committee arrangement. Their recommendation reflected the current position for Islington and Camden and a pragmatic decision around speed to operation.
- 8.3 The joint committee would consist of six members (2 from each council) and it would convene twice a year to provide democratic oversight, agree the overall strategy for the service and to receive six monthly progress reports on the performance of the service. The detailed terms of reference of the Joint Committee are being developed. Every member appointed to the joint committee would need to be a member of their respective Executive or Cabinet. The governance model proposed is set out in the diagram below.



8.4 It is proposed that further work will be carried out over 12 months to explore in more detail what governance model would best serve the long-term aspirations of the shared service.

9 Lead Employer

9.1 In any joint committee arrangement it is preferable for one council to be the 'Lead Employer'. As was previously the case agreed between Islington and Camden, the Lead Employer for the three-council shared ICT service will be Camden and it will lead on HR activities. As it is intended that existing employees will remain employed by their existing council, HR activities for those employees remain with that employer. Camden would also host the combined budget and provide governance support.

10 Impact on staff

10.1 While entering into a shared service produces uncertainty for staff, given the financial position the councils are in this is a position that many staff are in anyway across the three councils. The shared service, however, also provides an opportunity for staff. To date, in order to minimise any compulsory redundancies, Islington and Camden have in the main not looked to fill vacancies on a permanent basis.

10.2 The ICT teams from the three boroughs will be joined in a pool of staff to create the shared service resource pool. At the initiation of the shared service, existing staff will not be transferred to another employer, but will, as necessary, provide services to all three councils under a S113 agreement. This agreement will allow staff to provide services and work across both organisations and will be subject to staff consultation.

10.3 The integrated nature of the proposed operating model, combined with the longer-term option to operate under a more commercial framework, means that there is an ambition to move towards a harmonisation of employment terms and conditions over the next twelve months. In line with the employment practices, this will be subject to a staff consultation process. Any new posts will be recruited on Camden's terms and conditions.

11 Delivery of Quick Wins

11.1 The progress to date between Islington and Camden in creating an ICT shared service has identified a number of areas where there is the potential to deliver quick wins. There are three key projects that have been prioritised for early delivery. These are:

Datacentre Strategy and Consolidation

- As discussed previously, pursuing a strategic approach to datacentre provision can both allow medium term realignment and savings but also look to the optimal provision in the longer term. Reaching a conclusion on initial steps and the longer-term strategy should be concluded by the Autumn.

Sharing and Defining of Architecture

- Again, as discussed above, there is scope for application consolidation and the scoping work for this has already begun. In addition, integrating the network architecture at an early stage will enable many of the practical benefits of the shared service for ICT staff and users.

Review of ICT Supplier Contracts

- An initial review of Islington's and Camden's ICT contracts is underway. This will be expanded to include Haringey, should the councils all agree the proposed three council shared ICT service. An early review of contracts will look to identify opportunities to consolidate, renegotiate, procure jointly, share the same contract rates and more.

12 Timetable

12.1 Islington, Camden and Haringey are all currently considering the case for three-council shared IT service. It is expected that all three boroughs will have taken a decision by early April 2016. Assuming all three agree to go ahead, an indicative timetable is set out below:

March – April	Islington, Camden and Haringey – shared service decision
April	Commence recruitment of a joint head of the shared service
1 October 2016	Start of formal Shared Service Joint Committee
Ongoing	Progressing quick wins; development of the Target Operating Model

13 Financial Implications

13.1 These are included in the main body of the report.

14 Legal Implications

14.1 The Local Government Act 2000 empowers the Secretary of State to make regulations enabling a Cabinet / Executive of a local authority to arrange for the discharge of its functions by other means. The Local Authorities (Arrangement for the Discharge of Functions)(England) Regulations 1012/1019 apply. The regulations empower the Leader and Executive to make arrangements to discharge their Executive functions jointly with another local authority through a Joint Committee created for that purpose. The Regulations confirm that when the arrangements are between three local authorities and relate to Executive functions (which the IT function in a council is) then the arrangements are to be between the three Executives/Cabinets.

14.2 The appointment of the joint committee, number of members, and term of office and scope of the committee is to be fixed by the Cabinet/Executive and not the council. In addition the Cabinet/Executive (in agreement with Islington/Camden/Haringey) agree whether for example the Joint Committee can create a sub-committee(s) and / or delegate functions to an officer of one of the two Authorities. Every member to be appointed to the joint committee must by law be a member of their home Executive/Cabinet and the political balance rules do not apply. While Executive is being asked to agree the overall strategy and the creation of the Joint Committee, the Leader may, in consultation with the Executive Member for Finance and Performance, make the detailed further decisions which will include:

- To agree the final terms of reference of the joint committee;
- To appoint two members of the Executive/Cabinet to the Joint Committee to serve until the end of the municipal year; and
- To agree the contents of an underpinning joint committee agreement between the Councils.

15 Environmental Implications

- 15.1 This report does not have any direct environmental implications. In looking in detail at data centre provision options there may well be environmental considerations.

16 RESIDENT IMPACT ASSESSMENT

- 16.1 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 have due regard to the need to tackle prejudice and promote understanding.
- 16.2 Bringing the three ICT services together is expected to have positive outcomes for residents, as it will help to accelerate progress on resident-focussed ICT projects that will improve residents' interactions with the council. It will also allow the councils to work collaboratively to address digital inclusion issues and ensure that we support residents in their digital lives.
- 16.3 The changes will affect staff working for all three authorities and a full assessment of the staffing impact will be carried out as the transition plans are worked through.

17 Reasons for the recommendations / decision:

- 17.1 Haringey have expressed in interest in joining the Islington and Camden ICT shared service and the SOCTIM review supports the rationale for a three-council ICT shared service. In addition, the finance directors of the three councils are satisfied that the proposal is in the interests of their respective councils and the greater size should generate savings in addition to those previously envisaged. Given this, the joining of Haringey with Islington and Camden and creating a three-council ICT shared service is recommended.

Background Papers: none

Final report clearance

Signed by



23 February 2016

.....
Executive Member for Finance and Performance

.....
Date

Responsible Officer : Mike Curtis, Corporate Director of Finance and Resources
Report Author : Alan Layton, Service Director, Finance and Asset Management