

# Executive Decision Report

<b>Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken</b>	Full Cabinet  Date of decision: 1 December 2014	
	THE LEADER OF THE COUNCIL Cllr Nicholas Paget Brown  Date of decision (i.e. not before):  Forward Plan reference: 04230/14/K/A	 THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
	CABINET MEMBER FOR FINANCE AND CUSTOMER SERVICES Cllr Melvyn Caplan  Date of meeting or formal issue:	 City of Westminster
<b>Report title (decision subject)</b>	<b>CORPORATE SERVICES: ESTABLISHING A SHARED ICT SERVICES FUNCTION AND IMPLEMENTATING THE ICT TARGET OPERATING MODEL</b>	
<b>Reporting officers</b>	<b>London Borough of Hammersmith &amp; Fulham</b> Nigel Pallace, Interim Chief Executive  Jane West, Executive Director of Finance and Corporate Governance  <b>Royal Borough of Kensington &amp; Chelsea</b> Nicholas Holgate, Town Clerk and Chief Executive  <b>Westminster City Council</b> Charlie Parker, Chief Executive  Ed Garcez Chief Information Officer	
<b>Key decision</b>	Yes	
<b>Access to information classification</b>	Public	

## 1 EXECUTIVE SUMMARY

- 1.1 This report seeks authority to enter into a legal agreement for the establishment and phased implementation of a shared ICT Services function. This builds on the agreement to implement an ICT Services division shared between the London Borough of Hammersmith & Fulham (LBHF), the Royal Borough of Kensington & Chelsea (RBKC) and Westminster City Council (WCC) and establish a single shared Chief Information Officer as the head of profession for ICT.
- 1.2 The report sets out the key elements of the business case and operating model in appendix A. The recommendations will deliver potential annual savings of £6.55m from 2017/18, at an estimated implementation cost of up to £143k.
- 1.3 The proposals set out in this report build on the significant changes that have already been delivered or are underway across the three ICT functions, in delivery of the ICT Strategy 2012—2015. These include:
  - over £3m of savings arising from common and shared working across the three ICT functions; these savings are on-target for delivery by 2015/16
  - the framework procurement of key ICT services (data centre, distributed computing and service desk) and WCC's transition to Agilisys and BT under these framework contracts
- 1.4 The disconnect between the three sovereign ICT functions, each with their own processes, policies and procedures, is an unnecessary overhead introducing bureaucracy and cost, and sometimes even providing contradictory advice to service users. The Critical Friends Review and user feedback consistently highlight the need for more integrated technology solutions and a single enabling and supporting ICT service. Also, emerging from the Business Intelligence pilot project is the need for more integrated data and an improved approach to data and information.
- 1.5 The implementation of the shared ICT Services function will ensure a more joined-up approach, putting in place the foundations for more efficient and effective ICT, focused on meeting user needs and delivering value for money, including annual savings of £6.55m.
- 1.6 The proposed model has been designed to be inclusive and easy to extend to further partners, and there have already been some successes in establishing wider shared services and joint working including:
  - a shared service with Kensington & Chelsea, Kingston, Lambeth, Sutton and Westminster to deliver a mobile device security solution
  - flexible and inclusive framework contracts accessible to a wide range of partners, with Islington already consuming services under the framework; a further 4 local authorities, and a number of other organisations are in advanced discussions too

- 1.7 Appendix C of this report sets out the key provisions of the proposed legal agreements under section 113 of the Local Government Act 1972, which will be used for the combination and integration of the services, posts and functions. These will provide, together with the various schedules, a suitable framework to operate and further develop combined and shared services.

## **2 RECOMMENDATIONS**

- 2.1 To note and agree the business case, subject to required staff consultation.

- 2.2 That the Chief Information Officer be authorised to start staff consultation and implement the proposed target operating model for the shared ICT service, specifically:

- 2.3 That the following posts be deleted with effect from 1 April 2015:

- Chief Information Officer (WCC) – 1 FTE
- Director for Procurement and IT Strategy (H&F) – 1 FTE
- Head of Information Systems Division (RBKC) – 1 FTE
- Head of Business Technology (H&F) – 1 FTE
- Head of IS Strategy (WCC) – 1 FTE
- vacant posts within the structures as needed to fund the establishment of the new posts set out in recommendations 2.4 and 2.5 (any remaining vacant posts will be reviewed as part of phase 2 of the proposed restructure)

- 2.4 That the following new posts making up the shared ICT service divisional leadership team (ICT DLT) be created with effect from 1 April 2015:

- Head of Business Partnering – 1 FTE
- Head of Digital Services – 1 FTE
- Head of Information Management – 1 FTE
- Head of Operations – 1 FTE
- Head of ICT Portfolio Management – 1 FTE
- Head of Strategy and Enterprise Architecture – 1 FTE

(It is proposed that each Council will have a lead Head of Service to act as a key point of liaison for senior stakeholders).

- 2.5 That the following posts be created with effect from 1 April 2015:

- Strategic Relationship Manager – 4 FTE
- Problem Manager – 1 FTE

- 2.6 That the secondments in place for the Strategic Relationship Managers and Problem Manager be extended up to 31 March 2015 to allow the consultation process and any resulting recruitment to be completed successfully.

- 2.7 That the Interim Chief Executive Hammersmith & Fulham (on behalf of H&F) and the Town Clerk and Chief Executive Royal Borough of Kensington & Chelsea (on behalf of RBKC) and the Chief Executive Westminster City Council (on behalf of WCC) be authorised to enter into a section 113 agreement in respect of the shared ICT service.
- 2.8 That the Interim Chief Executive Hammersmith & Fulham in consultation with the Leader of the Council for H&F and the Town Clerk and Chief Executive Royal Borough of Kensington & Chelsea in consultation with the Leader of the Council for RBKC and the Chief Executive Westminster City Council in consultation with the Cabinet Member for Corporate and Customer Services for WCC be authorised to approve hosting arrangements for the shared ICT service (and as part of that to determine the employing borough for new roles in the ICT division) and to make any ancillary decisions to enable the services to operate effectively.
- 2.9 That a review of the reporting line of the WCC business intelligence function and team be considered in early 2015.

### **3 REASONS FOR DECISION**

- 3.1 The shared ICT service arrangements need to be formalised through agreements pursuant to section 113 of the Local Government Act 1972 in order to establish the legal relationship between the parties and comply with the Authorities' various public law duties including their fiduciary duties to their Council tax payers.

### **4 BACKGROUND**

- 4.1 In February 2014 the Chief Executive of Westminster City Council was appointed as Senior Responsible Officer (SRO) for a Corporate Services Review. The Executive Director of Finance and Corporate Governance at H&F was asked to produce detailed business planning propositions for a range of services.
- 4.2 A detailed Corporate Services Review was produced as part of that work and set out the business propositions and business cases for the establishment shared Corporate services.
- 4.3 Since the elections in May 2014, the new administration at H&F have commissioned a Critical Friends Review. The review notes:

*"The current tri- borough service delivery model(s) must continue to be better supported by **an aligned and enhanced ICT capability.**"*

*"ICT should continue to 'connect and consolidate' existing infrastructures to better support joint working arrangements; the tactical ICT solutions currently supporting this are not sustainable long-term."*

*"To make large-scale savings in ICT, organisational re-design as a joint team should be considered. Acknowledging the different starting points of the three boroughs (WCC outsourced, RBKC in-house, LBHF bridge contract expiry in 2016) and the different funding considerations also, the*

*best value for money solutions (outsource/in-source/multi-source/internal shared service) should be considered. The potential to reach out to other boroughs through this approach is made simpler due to the unified approach.”*

- 4.4 Customer feedback captured as part of the Corporate Services Review and other surveys has highlighted that shared service departments are hampered by the disconnects in ICT which are building inefficiency into the organisations more widely.
- 4.5 These proposals are true to, and take account of, the context referenced above. They will build on the work to integrate the Councils’ infrastructure and introduce closer alignment and the adoption of more open standards to facilitate and encourage wider partnership working.
- 4.6 Work already underway with Kingston, Lambeth and Sutton will shortly see a shared service to support secure mobile device management – based on work carried out by Lambeth and which will be open and available to any partners.

## **5 PROPOSAL AND ISSUES**

### **5.1 Section 113 agreement**

- 5.2 The proposals for the shared ICT service, if approved, will require a section 113 agreement to be in place so that staff can deliver services for all three Councils. Before entering into an agreement under section 113 the affected staff must be consulted. The main provisions of the section 113 agreement, which will apply to the shared ICT service are set out in Appendix C.
- 5.3 The business case attached as appendix A details the proposal and issues in paragraph 4.

## **6 OPTIONS AND ANALYSIS**

- 6.1 A range of options were explored in the business case before conclusions were drawn and recommendations made. These are described in appendix A.

## **7 CONSULTATION**

- 7.1 Consultation with Members has taken place via the Corporate Services Members’ Steering Group, which includes Corporate Services Cabinet Member representation from all three boroughs. This group provides political steer, promotes the programme to Cabinet and wider Council colleagues and seeks to address and resolve issues raised by Members efficiently and effectively. Proposals included in this report will be submitted to borough Cabinets for approval following endorsement by this group.

- 7.2 Additional Cabinet Member briefings have taken place, including a detailed run through of this report, the associated business case (appendix A) and the associated governance proposals (appendix B).
- 7.3 Extensive engagement with staff and service users has taken place in order to satisfy the requirements of section 113 described above and the Council's wider employment law duties. This has included:
- a number of one-on-one interviews with key stakeholders, executive directors and heads of service
  - a number of co-design sessions with service users and staff
  - a number of 'open door' sessions for staff to influence, input to, challenge and co-create the proposed target operating model
  - a number of one-on-one staff meetings
- 7.4 Once a decision is made by the Cabinets, formal consultation on the proposals with staff and their recognised trade union representatives will be carried out in accordance with the Councils' statutory obligations as required under appropriate employment law provisions primarily the Trade Union and Labour Relations (Consolidation) Act 1992 and the Employment Rights Act 1996 as amended. This is supplemented by a set of overarching HR policy principles adopted by the three Boroughs contained within the shared HR Policies Agreement.
- 7.5 Consultation mechanisms on proposals to re-organise and integrate teams across either the two or three partner boroughs follow established and generally consistent principals overseen by a Joint Management and Trade Union forum consisting of the HR Directors of the 3 Councils and representatives (both at regional and branch level) of the three Councils' recognised trade unions. Consultation in practice consists of the introduction of such proposals initially to the forum for initial comment followed by staff and trade union consultation within the relevant service area and includes team consultation meetings, individual one-to-one consultation meetings, briefing and updates. Documentation is also made available electronically to the relevant staff groups and Trade Unions and usually includes the written proposals (rationale document) and other associated documentation including current and revised job descriptions, staff assimilation tables, regularly updated sets of staff question and answers, current and proposed structure charts. Consultation either takes 30 or 45 days depending on the numbers of staff affected in the establishment. Following consultation, implementation of the proposals (original or as amended) takes place. The three Councils mitigate against any compulsory redundancies in a variety of ways including but not exclusively seeking volunteers first and through redeployment processes across LBHF, RBKC and WCC as well as other opportunities.
- 7.6 A HR Working Protocol document has also been established which supports managers and staff working across LBHF, RBKC and WCC by giving further clarity and detail on the creation and operation of integrated teams as they affect the day to day employment issues of staff employed by one of the three boroughs and where such teams are managed by an employee of one of the three boroughs or their partners. The protocol reflects the fact that those managers managing integrated teams will need to be clear about the contractual terms of the staff they manage but who are employed by one of the other two boroughs.

- 7.7 The Director of the service (the Chief Information Officer) will move to the terms and conditions of the host borough or if no host borough is decided they will remain on their existing terms and conditions, of their employing borough. Individuals who are unsuccessful in obtaining a post at their current level will be able to apply for a post one level below. Salaries will be protected in accordance with the employing Council's existing policy. If unsuccessful at that level they are potentially redundant and subject to redeployment.
- 7.8 Those staff who have jobs which are similar to a job in the new structure should be ring-fenced for that job together with anyone who has been previously unsuccessful and wishes to be considered for a job at the next lower level. Salary is not the sole determinant of similarity, job content is more important. These staff may then either be directly assimilated, if the number of people and jobs are the same, or competitively assimilated through interview and assessment if these are more staff than jobs.

## **8 EQUALITY IMPLICATIONS**

- 8.1 Equalities implications have been addressed in earlier reports. The public sector equality duty has been considered by officers in the development of the proposals.
- 8.2 This is an internal change, which should not affect services. We are therefore not aware of any equality implications.

## **9 LEGAL IMPLICATIONS**

- 9.1 The proposed legal relationship between the Authorities is described above. Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another authority for the placing at the disposal of the latter for the purposes of their functions, on such terms as may be provided for by the agreement, of officers employed by the former. Officers placed at the disposal of the "borrowing" authority are treated as an officer of that authority for the purposes of all their statutory functions whilst remaining an employee of the "lending authority" for employment law purposes. Before entering into an agreement under section 113 the affected staff must be consulted (see section 7). The nature of section 113 means that no direct EU procurement issues arise in relation to the proposed agreements.
- 9.2 The Directors of Legal Services are both of the opinion that the agreements provide a prudent framework for the integration and combination of the services and that the Council may lawfully enter into the agreements.
- 9.3. Legal implications provided by: Tasnim Shawkat, Director of Law, ext.2700

## 10 FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1 With respect to Hammersmith & Fulham Council, the savings identified in this report are reflected in the relevant Corporate MTFS programmes for 2015/ 16 through to 2017/18. The implementation costs of £35,000 at LBHF will be funded from the Efficiency Projects Reserve.
- 10.2 With respect to the Royal Borough of Kensington & Chelsea, the one-off cost of implementation of £54,050 will be met from the Transformation Reserves.
- 10.3 With respect to Westminster City Council, the implementation costs of £54,050 will be met from a Central Transformation Reserve. There will be appropriate governance procedures in place to monitor/ review the costs seeking to draw down against this reserve.
- 10.4 The financial protocols will be reviewed on an annual basis by the Directors of Finance in each Council. The financial protocols include requirements for:
- Financial Planning
  - Revenue Estimates
  - Financial Management and Reporting
  - Closing and the Audit of Accounts
  - Risk Management and Insurance Requirements
  - Sharing of Costs
  - Mechanism for Variations
- 10.5 Budgets will be provided to the budget holders at the start of the financial year and will link to the individual Council's approved budgets and the service mandate. The respective service finance teams will continue to provide financial information for senior managers and members to agreed timescales and format, working with operational and provider services to ensure the information is "owned" by the service.
- 10.6 Each borough will incur a fair share of the costs of functions. 'Fair' means that the costs borne by each borough should relate to the work done for it by the pooled function. One borough will not subsidise another.
- 10.7 The financial position of all three Councils means that boroughs should use a cost sharing methodology that is economical to administer.
- 10.8 Each borough will make recharges for indirect and overhead costs that will be added to the direct costs of combined functions. These 'overheads' will be for things like HR services provided for staff, or accommodation costs for space used. Charges will be invoiced quarterly on the basis of the budget set at the beginning of the financial year, adjusted for pay costs budgeted to be incurred by each Borough. The host borough will calculate actual charges, using this methodology, every quarter and will issue adjusting invoices or credit notes as necessary.



- 10.9 Staff appointed into shared roles will remain employed by their existing authority, even though they have taken up posts in the new structure. Boroughs need to avoid time-consuming recharging, so the approach being taken is:
- boroughs incur costs for those staff they employ
  - the host borough consolidates all the costs together into one statement every quarter
  - this cost sharing methodology will be applied to the costs in the statement, each borough will make an extra payment or receive a refund accordingly
- 10.10 There will be some one-off implementation expenses such as redundancy costs. These will be shared in proportion to the savings made by each borough.
- 10.11 The host borough will be the body responsible for applying all aspects of this methodology, and the other two boroughs will provide every assistance to enable that to be carried out. The Director of Finance for the service for the three boroughs will be the nominated officer responsible for ensuring this methodology is applied.
- 10.12 Services will continue to provide a professional working relationship with the Councils' internal and external auditors.
- 10.13 Finance and Resources comments provided by: Andrew Lord, Head of Finance Budget Planning and Monitoring x.2531

Ed Garcez  
**Chief Information Officer**

**Local Government Act 1972 (as amended) – background papers used in the preparation of this report**

- none

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## BUSINESS CASE FOR SHARED ICT SERVICES

### 1 EXECUTIVE SUMMARY

- 1.1 This report seeks approval to move to a shared service model for the delivery of ICT services across the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea, and Westminster City Council.
- 1.2 It is proposed that initially a new function-focused management structure is put in place with effect from 1 April 2015, all reporting to the existing Chief Information Officer. This structure will include:
- the continuation of a single lead officer for ICT Services across the three boroughs – the Chief Information Officer – whose reporting line will be determined as set out in paragraph 2.8 of the Executive Decision Report “Establishing a shared ICT Services function and implementing the ICT target operating model”
  - the establishment of a new functionally aligned divisional leadership team in ICT Services (the ICT DLT), shifting from the current town hall aligned ICT management arrangements, comprising:
    - a **Head of Business Partnering** – this role will be responsible for developing trusting partner relationships and a deep understanding and knowledge of business challenges, opportunities and direction; these relationships will operate across boroughs and partners ensuring that common solutions are applied and exploited across all services where possible
    - a **Head of Digital Services** – this role will drive a shift from technical and process focus to development of new business models, innovation and new ways of working; it will be about doing things differently and will lead on the introduction of matrix-style partnership working
    - a **Head of Information Management** – this role will be responsible for converging the information related disciplines, strategies and policies and for supporting data sharing across shared services
    - a **Head of Operations** – this role will be responsible for the delivery and continuous improvement of the core technical infrastructure and solutions delivered through a combination of in-house, cloud and out-sourced arrangements
    - a **Head of ICT Portfolio Management** – this role will deliver project and programme management services developing a strong and clearly focused portfolio enabling the efficient management and delivery of strategic and operational initiatives
    - a **Head of Strategy and Enterprise Architecture** – this role will be responsible for ensuring ICT alignment with the strategic business direction and medium term planning of partners, ensuring that business and IT goals are properly aligned and stay that way
  - the establishment of four permanent **Strategic Relationship Manager** roles (building on the seconded roles that have been in place since late 2013) reporting directly to a member of the ICT DLT

- the establishment of a **Problem Manager** (building on the seconded role that has been in place since late 2013) reporting directly to a member of the ICT DLT
  - (initially) a number of line management changes for officers across the three town hall aligned functions that will establish the shared ICT Services teams (and contracts with partner/ outsource providers) based on functional and professional expertise
- 1.3 A second phase restructure in 2015 will complete due diligence around ICT budgets and spend, and optimise teams in the new shared service.
- 1.4 A third phase restructure in 2016 will complete the transformation of the shared service reviewing a number of key high-value contracts reaching end of life and largely completing the convergence and rationalisation of the service to realise savings and efficiencies.
- 1.5 It is anticipated that, through convergence and rationalisation and this third phase of the restructure, savings of c. £6.55m could be realised against revenue budgets in 2017/18. This will be validated as part of the due diligence referenced in paragraph 1.3 above.
- 1.6 One-off capital investments will be needed to realise these savings and detailed business cases will be prepared in support of this work.

## **2 REASONS FOR DECISION**

- 2.1 This is the next phase in the establishment of the shared ICT service and follows the appointment of the Chief Information Officer in January 2014.
- 2.2 The continuing convergence and rationalisation of technology and formation of the shared ICT service will ensure that information and technology are flexible and accessible, meeting the changing and evolving needs of the Councils and future partners. In addition to service improvements long term cost reductions will be achieved.
- 2.3 The proposed approach is fully aligned with the requirements and values set out as part of the Critical Friends Review and Corporate Services Review.

## **3 BACKGROUND**

- 3.1 The ICT function delivers technology and information services through a range of sourcing options across the three Councils. A proposed target operating model for ICT was presented to cabinets in 2012/13 but only part accepted.
- 3.2 The H&F ICT function has been largely outsourced to the Hammersmith & Fulham Bridge Partnership (HFBP) which is a legal entity part owned by the Council. The ICT model is largely commercial with HFBP responsible for resourcing demand arising through service areas.

- 3.3 The RBKC ICT function is largely inhouse and has a substantial technical expertise. The function is well regarded by end users and provides a bespoke and personal service.
- 3.4 The WCC ICT function operates on a hybrid model delivering strategic functions internally, resourcing project teams with a mix of permanent, (temporary) agency workers and outsourced suppliers.
- 3.5 The nature of the three functions makes it very difficult to compare costs on a like-for-like basis. The three functions are revenue budgeted as shown below (note that the RBKC comparable actual ICT spend is closer to £10.8m based on the 2013 SOCITM data, this includes budgets held outside of ICT against which savings will be made):
- H&F £17.9m
  - RBKC £5.6m
  - WCC £10.8m
- 3.6 Cost per user at the three Councils varies materially, ranging from a little over £3,000 per user per year to over £5,500 per user per year based on the SOCITM 2013 benchmark. The London Median in the survey is just over £3,000 per user per year.
- 3.7 User satisfaction in the 2013 SOCITM benchmark also varies significantly across the three Councils with all three below the London median (one only very marginally so).
- 3.8 Given the limited scope for change while existing contracts remain in place (hence savings being deferred to 2017/18) this TOM seeks to remain cost neutral in terms of salary budgets, while formalising and adding key roles to the establishment. Funding allocated to vacant posts will be key to ensuring this until phase 2 of the restructure is complete.

## **4 PROPOSAL AND ISSUES**

### **4.1 Case for change including evidence**

- 4.2 Through a series of interview and co-design sessions with ICT staff and service users it is clear that there is a strong case for change.
- 4.3 With a growing and more wide-spread number of shared services in place across the Councils it is essential that ICT deliver a flexible and accessible service, which meets the needs of teams that need to work together and collaborate including across organisational boundaries – and in some cases be co-located. More than that there is a need for ICT to support new ways of working, both mobile and flexible which also needs to be consistent and aligned for users.
- 4.4 There are two key justifications for change:
- the need to support multi-organisation teams, including their co-location, and address the user (dis-) satisfaction reported in the Critical Friends Review and all recent satisfaction surveys; ICT is not meeting current business needs

- the need to realise efficiencies which can only be achieved through rationalisation and convergence

#### 4.5 Table 1 – Current revenue budget (2014/15)

£000's	WCC	RBKC	H&F	Total
Services (rounded to £100k)	8,363	1,180	17,503	27,046
Salaries (rounded to £100k)	2,402	4,394	439	7,235
<b>Total</b>	<b>10,765</b>	<b>5,574</b>	<b>17,942</b>	<b>34,281</b>

As part of the detailed implementation due diligence will need to be carried out to identify and baseline ICT budget and actual spend within and outside of the ICT service, this will be critical for phase 2 of the proposed implementation and validation of savings.

#### 4.6 Proposed operating model

- 4.7 The vision for the shared ICT Service is to be aligned with business units, and to be the change enabler for front line services. The new ICT team will be a trusted partner so supporting change rather than trying to adopt, re-interpret and react to it. In this role ICT will be best placed to identify common needs and promote cross-borough and cross-service cost saving opportunities. This will support effective and efficient working and the realisation of significant business benefits and savings. ICT will be an innovative single, value for money, agile and business aligned organisation providing coherent and cost-effective support to business aims.
- 4.8 The overall objectives for ICT are to enable and support transformation across the Councils, and to deliver a consistently high level of 'high quality, low cost' information and technology services. These objectives are described in more detail below:
- 4.9 *Efficiency – maximising opportunities for savings*
- 4.10 ICT will deliver a value for money service focused on reducing the 'unit' cost of commodity technology services ("essential" devices and services). ICT will enable and support business transformation across service areas. Through the identification and promotion of cross-borough and cross-service cost saving opportunities, and increasing adoption of 'digital' services. ICT will enable significant savings across the Councils and service areas.
- 4.11 *Simplicity – a standard and clear way of doing things*
- 4.12 A simple tiered model will ensure simplicity for ICT device and service provision and costing. The model is designed to provide consistent, compatible and cost-effective devices and services to all users ("essential") while offering a catalogue of value adding devices and services ("enhanced"). Bespoke devices and services can be accommodated, albeit with some restrictions to ensure compliance with standards.

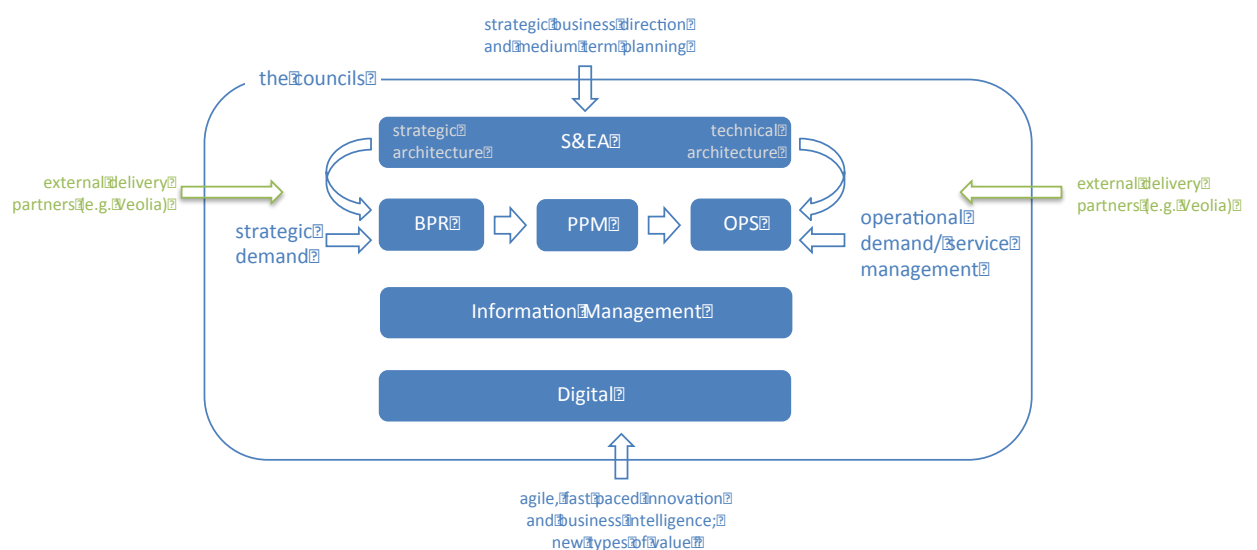
- 4.13 The emphasis for ICT is on delivering an excellent and, where possible consistent, value for money user experience. The recently let framework contracts will further support convergence and a simple, standard approach through:
- (a) a single point of contact with calls 'owned' from logging to resolution
  - (b) a single clear and simple service level agreement which will also be extended to internal 'resolver groups'
  - (c) adoption of standard processes.
- 4.14 *Smoothness – slick processes that minimise hassle for customers*
- 4.15 ICT will work as a partner with colleagues and users across Councils, enabling the delivery of key services and realisation of political priorities and outcomes. ICT will focus on delivering what matters based on a deep understanding of the Councils' business and on strong relationships. A proactive approach to project delivery will allow focus on what delivers the most value, and effective governance will ensure that resources are allocated where most needed.
- 4.16 *Transparency – costs and service standards are explicit and well understood*
- 4.17 Service users will have clear sight of the costs of their essential, enhanced and project-related ICT devices and services. Service reporting will allow users to assess service delivery. Simple and clear governance will ensure that ICT resources are directed to initiatives that matter most, and which deliver the most value and savings (in ICT or across Council services). Achieving this transparency will require contract alignment. It is also dependent on due diligence to baseline as-is costs and the robust portfolio management and governance model (as set out in appendix B).
- 4.18 *Assurance – to enable effective decision making*
- 4.19 ICT staff will be trained in best practice standard methods and processes delivering consistent, reliable results for core technology requirements. This will assure the infrastructure, data and information security and compliance with local, national and international standards. Staff will provide independent and well-informed advice. ICT's increasing role around information management (business intelligence, information governance and information security) will produce and leverage data to inform better business decisions. As part of the 'two speed' ICT a more risk-taking approach focused on delivering quicker results (or failing fast!) will be adopted.
- 4.20 *Satisfaction – for the people we serve*
- 4.21 ICT will have high customer service standards underpinned by a robust SLA and behaviours focused on enabling and supporting service users. Clear operational reporting and problem management will ensure a focus on service improvement based on what users need. The two-speed ICT will also ensure an agile approach for non-core business requirements where more risk is appropriate and where user needs evolve. The closer relationship between ICT and services will ensure that the service needs are understood – as are the service users.

#### 4.22 Sovereignty – enabling sovereign decision making

4.23 The ICT model will allow for sovereignty and ‘value-add’ options over and above the base essential offer through the enhanced catalogue of products and services.

4.24 The target operating model (TOM) for ICT balances strategic and operational needs and demands, reinforcing the needs for a strategic focus and business/value aligned enterprise architecture. The model is based on ICT working as a partner, not as a supplier. The TOM is based on industry best practice and defines key interfaces for strategic and operational ICT demand as well as mechanisms for prioritising, assessing and meeting the business needs.

4.25 The target operating model is made up of six elements as shown and described below:



- **Business Partnering and Relations (BPR)**  
Business partnering and relations, and strategic relationship management play a key role in developing trusting partnership relationships and a deep knowledge of business challenges, opportunities and direction. Developing and nurturing these relationships will ensure a proactive approach and allow for more joining-up of cross-borough and cross-service cost saving opportunities. These relationships will operate across services so ensuring that common needs are understood and that shared learning and common solutions are applied across all services.
- **Digital**  
Digital is the evolution of ICT. The role will drive a shift from a technical and process focus to development of new business models, innovation, new ways of working and a new type of value. It is about doing things differently and it comes about through matrix-style partnership working.
- **Information Management**  
Information is critical to supporting the Councils’ reviews and business planning. Effective information management will enable cost reduction, service improvements, savings and improved income generation.

- **Operations (OPS)**  
Will deliver core technical solutions, responsible for continuous improvement, managing and supporting technology infrastructure and support. Demand arises from service management (and support issues) as well as from technical architecture and regular business as usual. This includes a combination of in-house, mixed, cloud and out-sourced infrastructure and relies on the enterprise and technical architectures to ensure interoperability.
- **Project and Programme Management (PPM)**  
Project and programme management, supported by a strong and clearly focused portfolio will enable efficient management and delivery of strategic and operational initiatives. Will reduce the cost of delivering the portfolio of projects through standardisation and the enhancement of the in-house technology change capability.
- **Strategy and Enterprise Architecture (S&EA)**  
Strategy and enterprise architecture ensures alignment across the strategic business direction, medium term planning and the ICT roadmap. This drives both operational demand (from the technical architecture) and strategic demand. It is likely that this element of the target operating model will evolve in the medium term as the enterprise architecture is developed and becomes established.

- 4.26 ICT will be delivered through hybrid teams of employed, partner and outsourced specialists. The ICT service will be led by the Chief Information Officer supported by the ICT Heads of Service who will have responsibility for: (a) Business Partnering and Relations, (b) Digital, (c) Information Management, (d) Operations, (e) Programme and Project Management and (f) Strategy and Enterprise Architecture.
- 4.27 The Strategy and Enterprise Architecture function will define the strategic and technical architectures for the shared ICT service based on the strategic business direction and medium term planning. This will drive strategic demand through the Business Partnering and Relations function (for strategic architecture demand) and through the Operations function (for technical architecture demand).
- 4.28 Strategic demand from service users, external service providers/ partners and residents will be managed through the Business Partnering and Relations interface (where Strategic Relationship Managers will have strong, partnership relationships across the Councils). Technical demand from service users (whether arising from incidents or operational requirements), and external service providers/ partners will be managed through the Operations function. The Programme and Projects function will support and ensure the delivery of key initiatives and change programmes.
- 4.29 The Digital function – a matrix team – will work alongside colleagues across service areas, Innovation and Change Management (ICM) and the Change and Programme Management Unit (CPMU) to support fast-paced innovation using agile methods to deliver new types of value supported by business intelligence.



- 4.30 The Information Management function will include the aligned records management, freedom of information, data protection and other 'information management' functions. This function will focus on ensuring that information is used to support better business decisions.
- 4.31 Management and coordination of service delivery across the wide range of suppliers will be key to the function in the new service. Contract management responsibilities will be added to a wide range of roles as part of the phase 2 restructure. Strategic contracting responsibility has been included in all of the ICT DLT responsibilities, with overall responsibility for contract management sitting with the Head of Business Partnering.
- 4.32 It is proposed that governance for the shared ICT function be consolidated with the formation of a Digital Technology board reporting directly to the Shared Services Board (SSB).
- 4.33 It is proposed that Member working include 1:1 meetings as necessary, with a scheduled monthly 3-way telephone call and quarterly face-to-face meeting.
- 4.34 The proposed governance model is shown in appendix B.

## 5 ANALYSIS OF SAVINGS

### 5.1 Table 2 – Potential Savings for 2017/18

£000's	WCC	RBKC	H&F	Total
Salary savings (third phase)	100	133	18	250
Revenue budget savings	0	1,600	4,700	6,300
<b>Total</b>	<b>100</b>	<b>1,733</b>	<b>4,718</b>	<b>6,550</b>

It is anticipated that through:

- ICT convergence and rationalisation
- the restructuring
- a review of decentralised departmental ICT teams

the savings detailed in Table 2 could be realised.

These savings have been estimated for 2017/18 based on a mandate to proceed with the phases of the ICT restructure being agreed in 2014.

- 5.2 The overall £250k saving in base salary budget has been apportioned to each borough based on each borough's 2014/15 salary spend as a proportion of the total.
- 5.3 The estimated £6.3m reduction in base revenue budget and spend that may be realised across the Councils if ICT convergence, the third phase of the restructure and a fundamental efficiency review of decentralised departmental ICT teams is completed has been apportioned 20—25% to RBKC and 75—80% to H&F. This figure and the proportions is based on 2013 SOCITM benchmarking data and comparing the three Councils to the London Median.

- 5.4 No saving is anticipated for WCC as it is below the London Median. WCC have also already realised savings linked to Managed Services from their 2014/15 ICT budget. This may change as a result of the efficiency review of decentralised departmental ICT teams.
- 5.5 The anticipated savings for H&F and RBKC have been estimated to provide an indication of what could be achieved through the proposed restructure. As outlined in paragraph 1.3 and others above due diligence is a necessary next step to confirm the quantum of saving and to identify where the saving will materialise.
- 5.6 The £6.55m saving is considered achievable due to the total variation between their current costs and the London Median. The saving opportunity will be reviewed at each restructure phase.

### 5.7 Benefits from the new operating model

- 5.8 Benefits of the new operating model include:
- ICT rationalisation and convergence delivering better and cheaper ICT services to users
  - sharing of best practice across the ICT teams resulting in a better and more consistent user experience and more effective resource management, as well as improved professionalism across the ICT function
  - clear and consistent 'channels' to commission strategic work or request services
  - better information management and business intelligence to reduce failure demand and support better business decisions
  - economies of scale to reduce unit costs
  - a less paternalistic more joined-up and balanced approach to risk
  - new technologies and digital will drive transformation

### 5.9 Table 3 Implementation Costs

£	WCC	RBKC	H&F	Total
SRM & Problem Manager secondments 5 month extension (H&F resources)	19,050	19,050		38,100
Change management*	35,000	35,000	35,000	105,000
<b>Total</b>	<b>54,050</b>	<b>54,050</b>	<b>35,000</b>	<b>143,100</b>

\* Change management costs will fall £50k in 2014/15; £55k in 2015/16.

- 5.10 The extension of the existing SRM secondments is to ensure continuity of service across services where the SRMs are responsible for maintaining strategic relationships defining and leading on technology deliverables. The SRM posts were all established in mid-2013 as 1 year secondments ahead of the formalisation of the shared ICT service and need to be extended as this restructure won't be in place until 1 April 2015. A small proportion of the costs of these resources, which are provided by H&F, will be shared with the other boroughs as shown in the table above.

## **5.11 Timetable**

- 5.12 Phase 1 restructure going live 1 April 2015.
- 5.13 Phase 2 to start co-design April 2015, and go-live by November 2015. This will consider centralisation of devolved ICT teams and optimise the newly converged teams. This will consider and introduce standard Job Descriptions and alignment with the Skills for the Information Age (SFIA) in order to professionalise the service.
- 5.14 Phase 3 to start co-design April 2016 and go-live by November 2016. It will also align with the end of the contract with HFBP.

## **6 OPTIONS AND ANALYSIS**

- 6.1 As noted in paragraph 3.1 the decision to establish a shared service ICT function was taken some time ago. The detailed TOM as summarised in this report proposes the route to implementation of that function.
- 6.2 As part of the analysis it is clear that for operational reasons a single shared service ICT function is essential, particularly to support cross-Council services that are currently unable to effectively share information and systems.
- 6.3 Interim initiatives to better align systems have enabled significant progress in the realisation of the shared service ambition across LBHF, RBKC and WCC however they are increasingly a constraint to further, more efficient integration and improved service delivery – including further partnerships with other Councils. The option to do nothing is therefore not an option.
- 6.4 To continue to deliver a shared service ICT function alongside three ‘town hall aligned’ ICT functions is inefficient and often sub-optimal with conflicting technology, architectures and systems.
- 6.5 The proposed alignment will ensure that ICT delivery and strategy are aligned and that ICT will support and enable the on-going delivery of shared services and service transformation including increasing the pace of adoption of digital technologies.

**GOVERNANCE MODEL**

**1 THE AS-IS VIEW**

- 1.1 Feedback from service users and discussions with senior stakeholders through the Joint Management Team, Strategic Executive Board, and the Corporate Services Member Steering Group have affirmed a clear mandate to consolidate ICT effort across H&F, RBKC and WCC in a single coordinated portfolio.
- 1.2 Historically the three Councils have used different approaches to run projects and manage investment (portfolio) governance.
- 1.3 The as-is state follows extensive effort to establish a single prioritised portfolio of ICT projects and resource requirements. This is an on-going process and the portfolio contains a mixture of initiatives, ideas, BaU and fully defined projects.
- 1.4 There are differing views of what ‘project’ means across the three Councils and their suppliers.
- 1.5 This context makes it difficult to make informed decisions based on the status of projects (e.g. whether to consolidate or terminate projects).
- 1.6 From a financial perspective it isn’t possible to align (especially corporate) project investment to specific services or directorates and service demand and ICT supply are not strategically managed. There is a need to change.
- 1.7 The as-is governance situation is shown below:

	RBKC	H&F	WCC
Portfolio-level	<ul style="list-style-type: none"> <li>• IT-Led</li> <li>• Limited portfolio management</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial-led</li> <li>• Focused on management of Bridge Partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Largely business-led</li> <li>• Significant recent investment</li> </ul>
Project-level	<ul style="list-style-type: none"> <li>• Projects treated largely as BAU activity</li> <li>• Rapid start-up and closure of projects</li> <li>• Limited monitoring and standards enforcement</li> </ul>	<ul style="list-style-type: none"> <li>• Individual project standards enforced</li> <li>• Resourcing able to flex to demand</li> <li>• Some programme management / intervention</li> </ul>	<ul style="list-style-type: none"> <li>• Active programme management / intervention</li> <li>• Limited business demand management and gateway controls</li> <li>• Recent increase in maturity</li> </ul>
Reporting / MI	<ul style="list-style-type: none"> <li>• Varies by project</li> </ul>	<ul style="list-style-type: none"> <li>• SLA-focused, commercial reporting in place</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting in place with finances, resources, and dependencies</li> </ul>

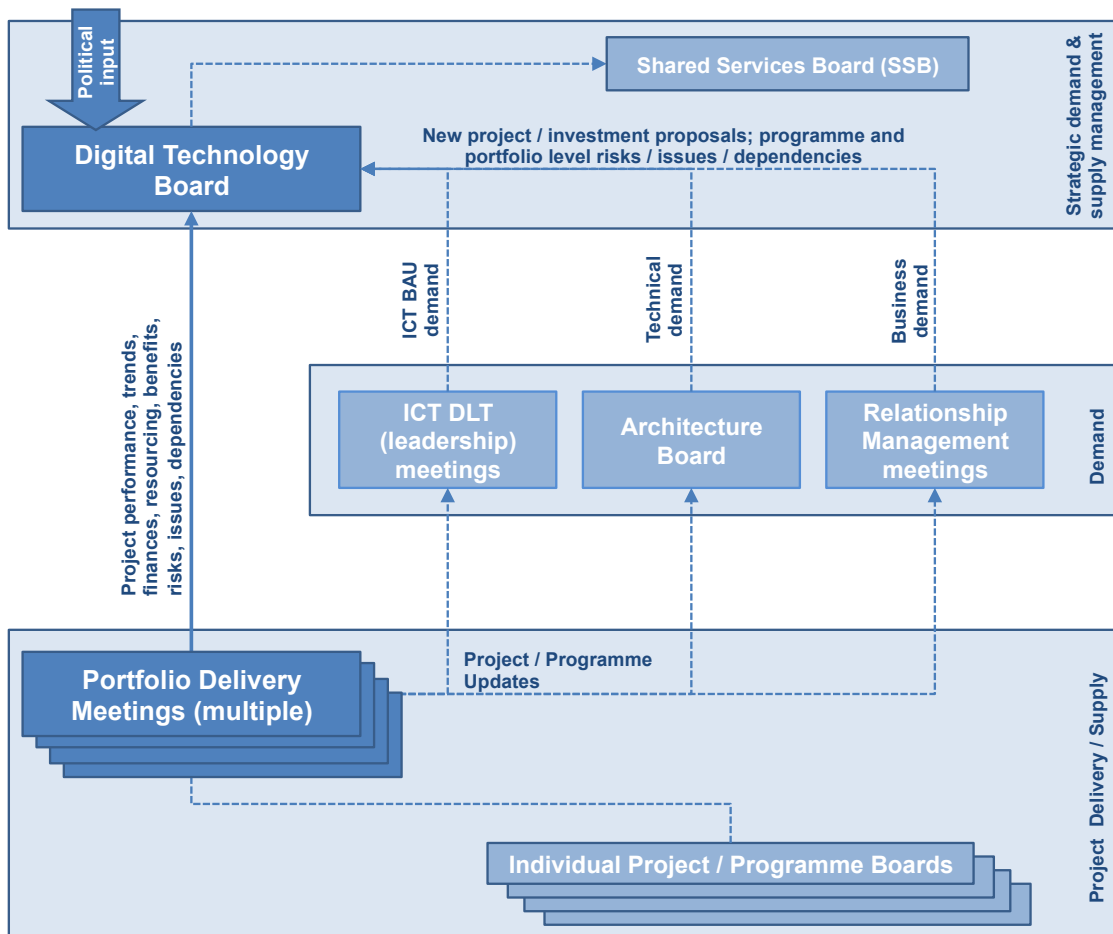
## **2 PRINCIPLES TO SUPPORT A SHARED PORTFOLIO**

- 2.1 Only 'real' projects should be considered part of the shared technology portfolio.
- 2.2 Every in-flight project must have all of the following:
  - an assigned project manager
  - a sponsor
  - a defined scope
  - an allocated budget
  - timelinesotherwise, the project will not be included in the shared technology portfolio
- 2.3 Projects must not be duplicated between authorities, and in such cases convergence between 'real' projects should be by default.
- 2.4 Each project must have a single ICT Lead to oversee delivery, and who will actively intervene in project delivery if needed. (During transition this may align to CIO 'vertical' areas of responsibility.)
- 2.5 For projects to be presented at the portfolio-level, the project has to comply to 'ground-level' portfolio governance and standards.
- 2.6 New projects must be submitted for approval onto the shared technology portfolio, complying with portfolio gateway processes.
- 2.7 Approvals for new projects will only be granted if they align with the enterprise architecture and strategy.

## **3 GOVERNING THE PORTFOLIO**

- 3.1 A Digital Technology Board will be put in place to deliver portfolio-level governance.
- 3.2 The board will meet face-to-face on a bi-monthly basis, with additional meetings if needed.
- 3.3 The Digital Technology Board will be chaired by one of the Chief Executives or their nominee.
- 3.4 The Digital Technology Board will mainly comprise service representatives and will be attended by:
  - the Chief Information Officer
  - the service areas' Executive Directors
  - members of the ICT DLT as needed
- 3.5 The Digital Technology Board will initially be focused on change delivery, undertaking a strategic review of in-flight and pipeline digital / ICT projects.

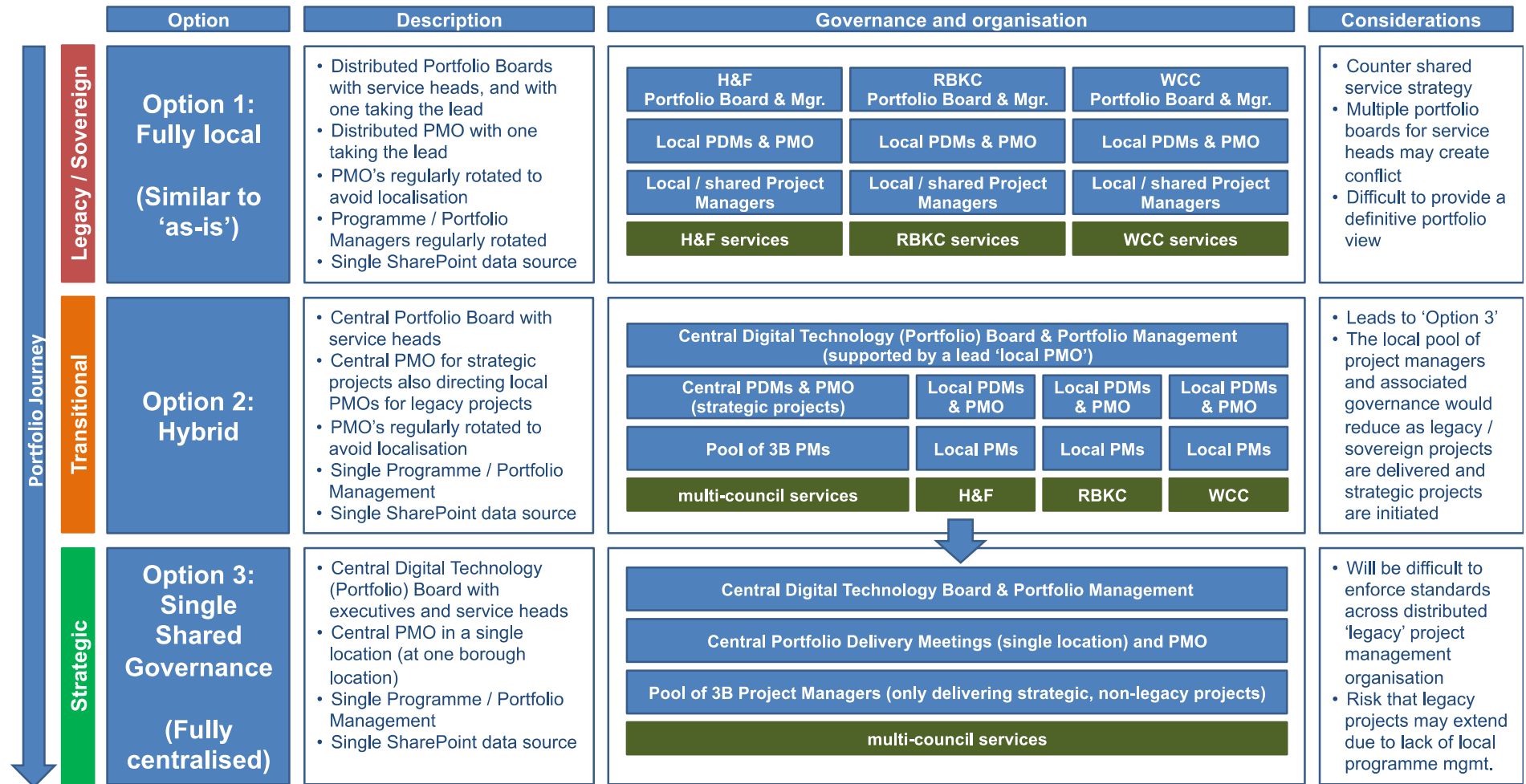
- 3.6 A review of the alignment of the Councils' service objectives and ICT roadmaps will be commissioned in order to refresh the ICT roadmap, approving new projects and funding, reprioritising resources and terminating projects as appropriate.
- 3.7 The focus of the Digital Technology Board will evolve to review the holistic portfolio including all ICT services, the ICT strategy, and ICT enterprise architecture (all technology investment).
- 3.8 The diagram below illustrates the Digital Technology Board within the wider ICT governance context.



- 3.9 Portfolio Delivery meetings will ensure project-level delivery governance, and will take place face-to-face only.
- 3.10 Projects will be grouped into related programmes (e.g. core infrastructure, corporate, mobility, etc.).
- 3.11 All project managers within the programme, and the sponsoring ICT Lead will attend the Portfolio Delivery Meeting, where each project manager will present highlights, status, and issues for escalation for projects they are managing.
- 3.12 Project managers may be from ICT, service areas or third party suppliers responsible for the ICT project.

## 4 GOVERNANCE OPTIONS AND RECOMMENDATION

4.1 The proposed governance model is fully centralised (option 3, shown below). Implementing this option will involve a transition from a hybrid approach (option 2) over a period of time.



## SECTION 113 AGREEMENT OVERVIEW

A detailed summary of the standard provisions which apply to the shared ICT service.

- **Clause 1 – Background**

This sets out the aspiration to realise economies and efficiencies through the combination and integration of services through alignment, joint working and co-location rather than through a single authority to which functions will be delegated and staff transferred. The concept of the Sovereignty Guarantee is introduced. The use of section 113 of the Local Government Act 1972 is explained.
- **Clause 2 – Definitions and interpretation**

Sets out the definitions used in the agreement and contained in Schedule 1.
- **Clause 3 – Duration**

The agreement remains in force until terminated under the termination provisions (see clause 25).
- **Clause 4 – The arrangements**

This, together with Schedule 2, establishes the aims, benefits and intended outcomes of the agreement and the high level principles which underpin it. These are aspirational and are not themselves legally binding. The arrangements comprise those in relation to combined teams (section 3), governance (section 4) and finance (section 5). The arrangements do not affect the liabilities of a Council to third parties.
- **Clause 5 – (Non) Delegation of functions**

This makes it clear that the arrangements do not transfer statutory functions from one Council to another and that shared officers discharge the functions of the authority they are acting for at the time as an officer of that authority. Should the Councils wish to delegate any functions to one another in the future then this must be accomplished through a separate agreement.
- **Clause 6 – Section 113 arrangements**

This, together with Schedule 5, establishes the arrangements for sharing staff by listing the posts being integrated and combined. It also provides a framework for the management, appraisal and supervision of the shared joint director (Chief Information Officer) together with a mechanism for the parties to raise any concerns in relation to their performance.
- **Clause 7 – Single Management Team (SMT)**

This establishes a single management team for the service. Membership and terms of reference are set out in Schedule 6. It has responsibility for implementing and monitoring the arrangements and for complying with the financial protocol and Sovereignty Guarantee. It has the power to establish further subsidiary management teams whose terms of reference are agreed by the parties.



- **Clause 8 – Accountability**  
 This sets out the accountability of post holders and requires the development of detailed arrangements as to the responsibility of post holders.
- **Clause 9 – SMT review meetings**  
 This requires SMT to hold an agreed number of review meetings to discuss performance of the arrangements and the realisation of savings etc. The minutes will be submitted to the parties.
- **Clause 10 – Annual review**  
 This requires SMT to carry out an annual review of the arrangements to evaluate performance, effectiveness and outcomes etc. and produce targets and priorities for the next financial year and make recommendations to the cabinets with a view to producing an Annual Strategic Agreement summarising priorities, targets and budgets for the next financial year and any required variations to the arrangements. It is not intended to have an Annual Strategic Agreement in place for the first year.
- **Clause 11 – Financial arrangements for postholders**  
 This makes the employing authority solely responsible for payments due under contracts of employment. The non-employing Council is responsible for expenses incurred in carrying out duties for them provided they are of a nature payable under the employer's expenses policy. The non-employing Councils are also responsible for any training they require a postholder to undertake in relation to section 113 duties carried out for that Council. The sharing of savings is dealt with below.
- **Clause 12 – Financial protocol**  
 This provides for the financial protocol at Schedule 4 which sets out the financial relationship between the parties and includes provisions relating to financial planning, management, reporting, risk management, audit and the sharing of savings. The financial protocol will ensure that the authorities discharge their fiduciary duties to their Council tax payers as far as the arrangements are concerned.
- **Clause 13 – Human resources protocol**  
 This sets out, in schedule 3 the protocol for dealing with HR issues. It is not a substitute for the parties' existing HR policies and procedures.
- **Clause 14 – Indemnities and liabilities**  
 Each party indemnifies the others against damage caused by that party's negligence, (excluding the contributory negligence of the other parties). As far as postholders are concerned the non-employing party is responsible for the acts/ omissions of a postholder when performing section 113 duties for that party and the employing party is responsible when they are performing duties for the employer. This puts the parties in the same position as if they were not sharing officers.

TUPE is not expected to apply but if it is subsequently found to apply (TUPE is a question of fact and law rather than intention) then the transferor indemnifies the transferee in respect of liabilities which arise due to their act or omissions and the transferee indemnifies the transferor in respect of those which arise due to their acts or omissions. Liabilities incurred as a result of the acts or omissions of more than one party shall be apportioned reasonably. Parties are under a duty to mitigate losses.

- **Clause 15 – Insurance**

The parties may, but are not obliged to, maintain insurance in respect of potential liabilities arising from the arrangements. Where they do so they must ensure that they cover liabilities incurred through their own staff performing employee duties and the staff of other parties performing section 113 duties.

- **Clause 16 – Standards of Conduct**

This requires the parties to ensure that the arrangements comply with statutory requirements and guidance in respect of conduct, probity and good corporate governance.

The parties will review and where appropriate amend their constitutions as necessary to comply with the agreement and enable the arrangements to run as smoothly as possible. This does not require a party to make alterations which it reasonably considers would be inconsistent with the Sovereignty Guarantee.

- **Clause 17 – Conflict of interest**

This sets out the procedure for dealing with conflicts of interest arising from the arrangements. It identifies two types, private interest conflicts and combined working conflicts. The former may arise where an employee discharging section 113 duties has a private conflict with the non-employing party. In such circumstances the conflict is notified to and recorded by the employing party in accordance with their own procedures. The Joint Director and the Chief Executives are then notified (and the Leaders where the Chief Executives are conflicted). The parties then take such action as is required to protect their interests.

In the event that a combined working conflict arises which affects the Joint Director he shall notify the parties and the non-employing party shall appoint an interim director as necessary and appropriate. Where other combined working conflicts arise the Joint Director shall ensure appropriate steps are taken to protect the interests of all parties including the obtaining of appropriate professional advice.

- **Clause 18 – Complaints**

Third party complaints are dealt with using the complaints procedure of the appropriate party. The parties may agree a combined complaints procedure in writing.

- **Clause 19 – Ombudsman**

The parties shall co-operate with one another as required in relation to Ombudsman investigations.

- **Clause 20 – Intellectual property**  
 The parties grant one another a licence to use each others' intellectual property rights for the purposes of the agreement. The parties shall agree their respective rights in relation to any IPR jointly created through the arrangements.
- **Clause 21 – Confidentiality and data protection**  
 This requires the parties to treat confidential information appropriately and sets out limited circumstances in which it may be disclosed. It provides, in Schedule 7, a Data Sharing Protocol which must be complied with and requires the parties to comply with the Data Protection Act 1998.
- **Clause 22 – Freedom of information**  
 The parties shall co-operate with one another to enable them to fulfil their obligations under the FOIA and shall consult one another before disclosing information relating to the arrangements.
- **Clause 23 – Default**  
 This provides a mechanism to deal with breaches of the agreement which are capable of remedy. The parties shall meet and agree a remedial action plan giving the defaulting party a reasonable period to remedy the breach. If a party is not satisfied that the defaulting party has complied with the plan it may initiate the dispute resolution procedure (clause 24) or terminate the agreement (clause 25).
- **Clause 24 – Disputes**  
 This provides a tiered mechanism for the resolution of disputes. The first stage is a meeting between the parties' representatives who will endeavour to resolve the dispute. If this is not possible within a reasonable period then the matter is escalated to the relevant Cabinet Members and if not resolved by them to the Leaders. In the event that the parties cannot resolve the dispute themselves then they must refer the matter to mediation. Legal proceedings may not be commenced unless a party has attempted to resolve the matter by mediation and it has either terminated or the other party has failed to participate.
- **Clause 25 – Termination**  
 This sets out the circumstances in which the agreement may be terminated. It may be terminated at any time by agreement and upon 12 months notice by any party. Individual post holders are removed from the agreement if they cease to be employed by an employing party.

The agreement may be terminated on 20 working days notice by an innocent party where another party commits a material breach incapable of remedy or one which is capable of remedy but has not been remedied in accordance with Clause 23.

The agreement may also be terminated after a reasonable period where it is no longer possible to fulfil it due to a change in law or guidance from the Secretary of State and the parties are unable to agree a suitable variation to enable the obligations to be fulfilled.

In the event of termination the parties shall use all reasonable endeavours to minimise disruption to the continued delivery of services and staff.

- **Clause 26 – Variations**  
This allows the parties to propose and agree variations to the agreement.
- **Clauses 27—34 – Boilerplate**  
These are standard provisions relating to the service of notices, waiver, severance and transfer etc.