


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">6 JUNE 2016</p>	
<p style="text-align: center;">ICT TRANSITION PHASE 5 - THE TRANSFER OF SPECIALISED AND OTHER SERVICES AND STAFF FROM H&F BRIDGE PARTNERSHIP TO THE COUNCIL</p>	
<p>Report of the Cabinet Member for Finance – Councillor Max Schmid</p>	
<p>Open Report</p> <p>A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Nigel Palace, Chief Executive</p>	
<p>Report Author: Jackie Hudson, Transition Director, shared ICT services</p>	<p>Contact Details: Tel: 020 8753 2946 Email: jackie.hudson@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

1.1. H&F Bridge Partnership (HFBP), a joint venture company owned by Agilisys and LBHF, currently provides all ICT services to LBHF. The HFBP service contract expires on 31 October 2016, at which time Cabinet has determined that one of the following four strategic outcomes must have been achieved for all 20 services provided by HFBP:

- move to a new supplier via an existing procurement route (such as a framework contract);
- move to a new supplier via a new procurement;
- move to the shared services' ICT service (provided by officers shared by three shared service councils);
- the council ceases to use a particular service.

Square brackets indicate areas yet to be decided

- 1.2. Previous papers dealt with the first four towers to move. This paper deals with the fifth service tower, specialised services. It also covers the transfer of services for data networks and telephony. These are all business critical services which the council must continue to provide after the end of the service contract with HFBP.
- 1.3. The key success factors for this element of the ICT Transition programme are the continuity of services and their ongoing high quality post October 2016.

2. RECOMMENDATIONS

- 2.1. To approve the transfer of specialised services and data networks and telephony staff to the council effective 31st October, 2016.
- 2.2. To delegate to the Chief Information Officer (CIO) approval of appropriate Section 113 agreements for staffing and service delivery.
- 2.3. To approve the use of £431,000 from previously allocated budgets to undertake transition activity. A Cabinet paper of 6 July 2015, entitled "ICT transition funding and viability" approved an estimated £775,000 for this service tower. At that point, the council only had early estimates for the plans for specialised services. The programme team has now refined these estimates. This reduced cost includes exit from HFBP, entry into the new service provision from shared ICT services, including staff transition and the relevant asset transfer and associated asset costs.
- 2.4. To note this assures savings of around £1,038,000 in 2017/18 toward the overall target of in excess of £4.7m.

3. REASONS FOR DECISION

- 3.1. This report's recommendations seek to assure continuity of service, balancing the mitigation of service risk with the need to achieve the substantial level of savings required.
- 3.2. It proposes the specialised services transfer to the council. Thus the council is not legally required to procure the services externally which would likely be at a higher cost. Therefore the staff delivering these services transfer under the Transfer of Earnings Protection of Employment legislation (TUPE) to the council.
- 3.3. The paper also covers the practical aspects of the transfer under TUPE of the data networks and telephony technical staff from HFBP to the council, previously approved by Cabinet in March 2016.

4. INTRODUCTION AND BACKGROUND

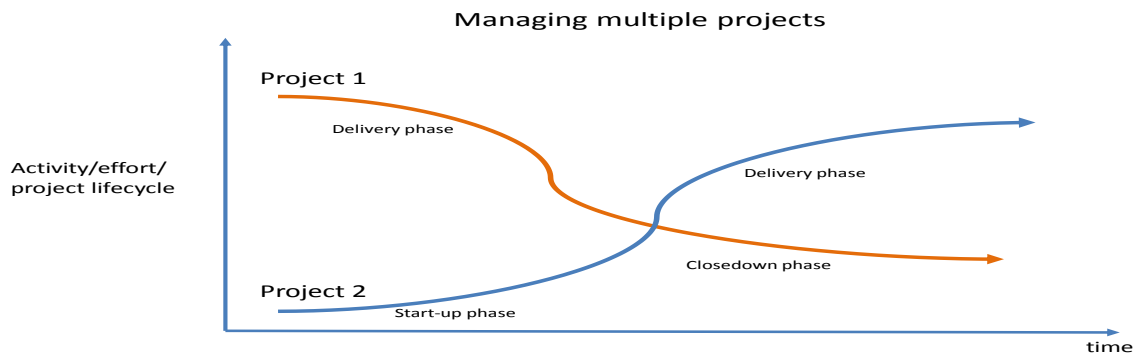
- 4.1. The council has business critical services which it must continue to provide following the end of the service contract with HFBP. Three service towers will be delivered by third party suppliers:
 1. desktop
 2. service desk and service management
 3. data centre services
- 4.2. For one element of service, that for service tower 4, i.e. data networks and telephony, the TUPE transfer was already agreed in a paper entitled "ICT transition phase 3 - the transition to the information technology and communications service delivery model and new service providers". This paper deals with the practical aspects of that decision.
- 4.3. The remaining choice for the council is whether it wishes to provide specialised services through existing resources transferring from HFBP or to procure them from elsewhere and how to determine the correct associated resourcing levels.
- 4.4. This paper is therefore mainly focused on the transfer of services, largely people-based, which HFBP currently provide to LBHF.
- 4.5. Specialised services include developing, designing and maintaining ICT strategy and enterprise architecture; strategic relationship management; information security; the delivery of programmes and projects; business analysis; infrastructure operations; procurement and contract management and applications support.
- 4.6. It only involves the transfer of staff but not the transfer of the sub-contracts for which they provide support. It does not therefore cover the novation of software, hardware, or other ICT services, which are dealt with in a separate paper entitled "ICT transition phase 4 – authority to execute ICT contract novations to the council and other providers authority to execute". Consequently there are no procurement implications in transferring these services to LBHF.
- 4.7. The council is convinced that it has a need for the services currently provided by HFBP staff, after the end of the service contract with the company. Currently, the only way this council could access these services, along with the skilled and knowledgeable staff providing them, after 31st October 2016, is by transferring them from HFBP.
- 4.8. When services transfer, the proposal is that the HFBP staff who provide them will transfer to this council under TUPE. They will then work within the shared ICT services, ideally from the outset within their correct section of the ICT organisation in the new target operating model.

- 4.9. The CIO is currently putting forward a Phase 2 Target Operating Model executive decision paper for the shared ICT services. This is due to be agreed by the three councils in June 2016. (Hence the square brackets indicating the team into which they may transfer.)
- 4.10. If, for any reason, this decision were to be delayed beyond October 2016, the staff transferring from HFPB would continue in their current organisational structure. They would then continue to report to their line manager the (now ex-HFBP) Partnership Director who would report directly to the CIO. Only the data networks and telephony team staff would immediately, at point of change, transfer into the Shared Services Operations team, i.e. their correct target team.
- 4.11. The first area is **business applications support services**. Application support consists of three layers - first line, i.e. service desk, second line (more in-depth support) and third line or supplier-delivered. The trend is to applications convergence and cloud or, at a minimum, hosted delivery, which means many applications now require first and third line support only.
- 4.12. Currently, around 19 HFBP permanent FTEs deliver the applications support (in some cases second and third line) for round 50 major LBHF applications, including some shared across the councils. This means that several applications are supported by one or two members of staff. These staff will transfer to the council.
- 4.13. When this service transfers to the council on 31st October 2016, it will give the council the opportunity to rationalise and converge further both applications and their support.
- 4.14. The total applications cost shown in the **table 1** (as set out in the exempt report on the exempt Cabinet agenda) is for all applications including the software, hardware and data centre services as well as staffing.
- 4.15. The original potential target of £900k savings for this area can only be made gradually and in the longer term through more hosting and convergence. The issue here is that departments are not necessarily planning on convergence. This tension is being managed through the Digital Technology Board. Nonetheless, while the target is shown in the table, the planned saving is unachievable until departments choose convergence.
- 4.16. Another complexity is that the current applications costs include the Managed Services existing applications (eg Cedar OLAS), which will be decommissioned shortly. The likelihood is that Finance will change these figures and affect the total cost of applications shown.
- 4.17. The second area is that of **portfolios, programme and project management**. Project managers use Prince2 to manage projects and

Square brackets indicate areas yet to be decided

programme managers use Managing Successful Programmes as a methodology. Projects with a major ICT component need input from ICT experts, who also need to be qualified or experienced PMs. These disciplines are there to assure the professional delivery of the project within agreed time, cost and quality constraints and, ultimately, to allow departments to achieve real business benefits.

- 4.18. The shared ICT services will likely deliver a trading account model with the correct level of forecast utilisation
- 4.19. There will be a transfer of service from HFBP to the council. According to legal advice received, any project management service for any borough in the service means it is being provided by the shared ICT services, therefore TUPE will apply. A team of Project Managers (12) and Project management support staff (PMO 4), consisting of 16 FTEs in total, will transfer to [the Portfolio team in] the shared ICT services.
- 4.20. Having control of a resource pool, especially with the economies of scale of a centralised model, allows a more effective use of capacity through the allocation of project managers to multiple projects, depending on the size of the projects and where they are in their lifecycle. See attached diagram for explanation of resource optimisation.
- 4.21. Diagram 1 resource optimisation



- 4.22. The third area is **business analysis**. This is the discipline which takes a client's idea and turns it into a project or the requirements which form the basis for a procurement. There is a transfer of service of 7 permanent FTE's to [Portfolios within] the shared ICT services. Without this, the risk to the council is that it acquires the wrong software or service.

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- 4.23. The fourth area is **strategic relationship management and enterprise architecture**. Within HFBP there is an establishment consisting of the head of service and five account manager posts, four of which are currently vacant, one being occupied by an Enterprise Architect. The service transfers as it exists to the [Strategy and Enterprise Architecture area within] shared ICT services. One enterprise architect in HFBP could transfer, i.e. one FTE.
- 4.24. The fifth area is **information security and quality**. Two staff will transfer to [Information Management within] the shared ICT services. Information security in particular is a growth area globally and experienced staff are difficult to recruit.
- 4.25. The sixth area is that of **procurement and contract management** where there is a range from high level strategic supplier management to basic contract management, where a small contract exists. High level contract management applies to major strategic suppliers like Vodafone, Virgin Media, VMWare, BT, CoreLogic etc. as these are all responsible for major parts of the ICT ecosystem.
- 4.26. Without good clienting, customers may not always have the most optimal service. This is therefore a vital discipline to maintain. If it were not to be available, the cost of failure can be high. With it, there should be proportional rigour and excellence in service delivery. There will be a transfer of service of 7 permanent FTEs to [the Business Partnering team within] the shared ICT services.
- 4.27. The **Operations** team within HFBP deliver the service management wrap without which service escalations would have nowhere to go. Service excellence is their target. Two FTEs will transfer to [the Operations team within] the shared ICT services.
- 4.28. The final area is that of **data networks and telephony** where the team support the data and voice networks, unified communications and telephony, including mobile and landline services. Three staff will transfer. This decision was made by Cabinet in March 2016.
- 4.29. The total number of staff in scope to transfer is currently 57. This number can vary up to and beyond the point of transfer which is at end of contract. It will be firmed up four weeks before, i.e. on October 1st 2016 and finalised at the point of transfer, at which point most of the financial considerations can also be determined with more confidence.

5. FINANCIAL CONSIDERATIONS

- 5.1 As set out in the exempt report on the exempt Cabinet agenda.

6. HUMAN RESOURCES CONSIDERATIONS

- 6.1. HFBP staffing figures (as set out in the exempt report on the exempt Cabinet agenda) – the savings are realised through either non-renewal of contract posts or attrition over time. No compulsory redundancies are envisaged or planned.
- 6.2. The following staff will transfer to the employment of the council as at 1st November 2016:
 - All HFBP permanent staff
 - Any Agilisys employee who has worked mainly for the council, i.e. on this account as shown in reliable records, in the period running up to the transfer
 - Any member of staff on a fixed term contract rolled over for 4 or more years, who is therefore deemed to be permanent.
- 6.3. Contractors or agency staff may continue to work for the council following the transfer from HFBP, by means of the council entering into a new contractual arrangement with them at that point. Otherwise, their contracts will cease with HFBP at the point of transfer.
- 6.4. When staff transfer they do so on their current terms and conditions. Their pension arrangement will change, if they so choose, to a “broadly comparable” scheme offered by the council. The council will absorb these pension costs into the corporate figures and they will be incorporated at the point of the periodic actuarial valuation.
- 6.5. The council has a good record of dealing with staff transferring both out to and in from other organisations eg the HF Homes transfer. It therefore has a good methodology and acts both in line with legal requirements and with empathy in undertaking such a transfer.

7. RISK MANAGEMENT

- 7.1. Several strategic risks, all relating to the timeliness, proximate risk, of decision-making need to be managed. A timely decision is essential, otherwise staffing impact and service failure are all likely.
- 7.2. Uncertainty and retaining experienced and knowledgeable staff in HFBP is a key risk. This is a resilience risk noted on the council’s strategic risk register, risk number 6 and was a risk the council was exposed to in the Managed Services Programme albeit in reverse with experienced staff electing to not transfer to the new service provider. The council risks losing key staff, who should transfer to this council’s in-house ICT services under TUPE regulations, if this decision is delayed. This would mean that the experience, understanding and knowledge of this council’s ICT services would be lost as staff could choose to pursue alternative career options. This would in turn lead to service failure if the skilled staff

Square brackets indicate areas yet to be decided

who support the applications were to have left and those remaining had no knowledge of those systems. Mitigation may be available in the form of other experienced staff if they could be recruited but that could not be guaranteed.

- 7.3. Savings delivered as a result of the programme contribute positively to the management of budget risks, noted as risk number 1 on the council's strategic risk register.
- 7.4. Implications verified by: Michael Sloniowski, Shared Services Risk Manager, telephone 020 8753 2587.

8. CONSULTATION

- 8.1. The process of informal consultation with the affected staff has started with the CIO and Transition Director attending several HFBP meetings to date. Formal consultation will take place nearer the time of transfer.

9. EQUALITY IMPLICATIONS

- 9.1. From a service provision perspective there are no direct equalities implications for the purposes of this report. In so far as any of the individuals who transfer to LBHF from HFBP have protected characteristics under the Equalities Act 2010 then reasonable adjustments will be made in compliance with the Public Sector Equality Duty.

Equality implications verified by: Kevin Beale, Principal Solicitor, Legal Services Tel: 020 8753 2740 on behalf of Ed Garcez, CIO, 020 8753 2900.

10. LEGAL IMPLICATIONS

- 10.1. This report proposes the insourcing of those employees of HFBP who provide specialised services, data networks and telephony services and are assigned to the provision of ICT services for LBTH under a contract for services which is to end on 31 October 2016.
- 10.2. Where activities cease to be carried out by a contractor on a client's behalf and are carried out instead by the client on his own behalf as is proposed, there is a relevant transfer by way of a service provision change such that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) will apply.

Implications completed by: Katie Pyne, Senior Employment Solicitor, telephone 0207641 1814

11. FINANCIAL AND RESOURCES IMPLICATIONS

- 11.1. Cabinet on 6th of July 2015 approved £4.401m of funding to implement the transition of ICT services to new suppliers. The costs identified within this paper are to be funded from this approved budget.
- 11.2. The potential savings of £1,038,000 will support the achievement of the original savings target of £4,700,000.

Implications verified by: Gary Ironmonger, Finance Manager – Strategic Finance 020 8753 2109

12. BUSINESS IMPLICATIONS

- 12.1. Previous papers on the ICT procurement strategy and approach have dealt with the social value aspects of ICT procurement. This paper is at the final stage the transition and deals with the staff transfer aspects.
- 12.2. Verified by Antonia Hollingsworth, Principal Business Investment Officer, Economic Development Learning & Skills, Planning & Growth. Telephone 020 8753 1698

13. PROCUREMENT IMPLICATIONS

- 13.1. There are no immediate procurement related implications contained in the recommendations.

Verified by: Alan Parry, Interim Head of Procurement (Job-share). Telephone 020 8753 2581.

14. IT STRATEGY IMPLICATIONS

- 14.1. The report is aligned with the current shared services ICT strategy and vision. It is a key enabler to a range of critical council initiatives, including a contribution of over a million pounds to the realisation of savings in excess of £4.7m from 2017/18.

Implications verified by: Ed Garcez, CIO, 020 8753 2900

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1	None		

Square brackets indicate areas yet to be decided