APPENDIX 1

Camden, Haringey and Islington

Shared Digital
Governance Model Options

Discussion Paper

Activist Group

October 2017

This report was produced on behalf of Camden, Haringey and Islington Councils by Activist Group.

Report Details

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Contents

Executive summary

1. This purpose of this report is to provide the basis of a discussion about the best governance option for the 'Shared Digital' service for the London Boroughs of Camden, Haringey and Islington. It is designed to enable you to meet the partners' commitment to a detailed report in the depth required to explore fully the governance options available.

2. Camden, Haringey and Islington Councils have recognised that sharing their digital and ICT services would bring numerous benefits, including saving money and improving their performance and resilience. Building on the initial plans for a shared service between Camden and Islington, the three councils launched their three-way shared Digital and ICT Service in 2016.

3. Activist Group were commissioned by you to provide independent advice on the most suitable governance model for Shared Digital and this report sets out to meet the requirements of the Joint Committee's terms of reference for a detailed report on the options.

4. We have carried out our work for you in two phases – the first phase explored the current position for Shared Digital, including your initial governance framework and supporting agreements. The second phase involved working with stakeholders from all the partners to establish:

   - Their views about the issues around the current governance arrangements.
   - What their ambitions are for the Shared Digital service, expressed as a series of outcomes.
   - Which of these are critical to evaluating a new model.
   - What governance options are available.

5. In our experience, there a number of factors that are characteristic of effective ICT shared services and which have helped to inform our analysis:

Table 0.1: Success factors for shared ICT services

- **Commonality of vision** and strategies between the partners.
- **Senior business sponsorship** of transformation and technology.
- **Shared expectations** about relationships between the shared service and partners - and between partners.
- **Partners working together** as a joint sponsor rather than as separate clients.
- **Close collaboration** between partner authorities and the shared service.
- **An agreed balance** between cost and quality that is endorsed by all partners.
- **Transparency** over performance and costs between the shared services and the clients.
- **Simplicity and consistency** in governance and charging arrangements.
- **Clarity** about what the service is and what it isn't.

6. We have found that Shared Digital demonstrates many of these success factors. For example, we found it possible from our discussions with senior stakeholders to identify an ambitious yet realistic set of outcomes with which the partners were well aligned.

7. However, our assessment of the issues reported to us that have arisen from Shared Digital's initial governance model suggested that the current model acts as a barrier to you achieving your ambitions. As a result, we have recommended that you replace the current model. You wisely planned to review your initial governance model after the first year of operation and now have the opportunity to identify the right model for the future.

8. We have developed two shortlisted alternative models for consideration and used evaluation criteria to assess their competing claims:

   - **Option 1: a 'lean' joint committee**, which is designed as a streamlined version of the current arrangements.
   - **Option 2: a public service company** that would be jointly owned by the three partners.

9. We have considered how these models support the desired outcomes and address the issues raised. The remainder of the report considers the activities required to implement these models and the key risks involved.

10. We have concluded that either of these models would be capable of enabling you to meet your objectives, although each has nuances that need to be considered by you before you decide on recommendations to your cabinets or executives about the future governance model for Shared Digital.

11. The partners in Shared Digital have recognised the need to keep the governance model under review and examine opportunities for improving its effectiveness. This discussion document is designed to help the Joint Committee to steer Shared Digital towards the next landmark in its journey.

Summary of recommendations

1. That it be noted that the initial governance model for Shared Digital cannot address the fundamental issues summarised in table 2.3 and that a new model will be required in order to deliver the partners' ambitions.
2. That the outcomes framework set out in table 2.4 be endorsed as the basis for further work to guide the development of Shared Digital.
3. That each partner ensures that its senior political and managerial leadership provides active sponsorship for the technology-enabled transformational programmes that Shared Digital will support.
4. That regardless of the model selected, if necessary, you proceed to amend your constitutions as envisaged in your legal agreement and, in particular, to align your schemes of delegation in respect of Shared Digital.
5. That you consider our evaluation of two models and decide which governance model or models are most likely to deliver the outcomes you are seeking at this stage of the development of Shared Digital.

1. Introduction

Purpose of this report

1.1 This purpose of this report is to provide the basis of a discussion concerning the best governance option for the 'Shared Digital' service for the London Boroughs of Camden, Haringey and Islington. It is designed to enable you to meet the partners' commitment to a detailed report in the depth required to explore fully the governance options available.

Background to the report

1.2 Camden, Haringey and Islington Councils have recognised that sharing their digital and ICT services would bring numerous benefits, including saving money and improving their performance and resilience. Building on the initial plans for a shared service between Camden and Islington, the three councils launched their three-way shared Digital and ICT Service in 2016.

1.3 The shared service partnership was established using a joint committee governance structure. As part of the original terms of reference for the Joint Committee, it was agreed that the Joint Committee would:

"Receive and consider a detailed report, within twelve months of the creation of the Joint Committee [by October 2017] that considers the options for the Shared Digital and ICT Service to be delivered via a public services company rather than a Joint Committee structure and make recommendations to the Cabinet/Executive of each of the Councils in respect of the report."

1.4 Activist Group were commissioned by you to provide independent advice on the most suitable governance model for Shared Digital and this report sets out to meet the requirements of the Joint Committee's terms of reference for a detailed report on the options.

Our approach

1.5 Our work has been undertaken in two phases, beginning with an initial, **exploratory** phase to help to shape the subsequent **evaluation** phase. The first phase focused on engagement with your senior stakeholders to establish a shared grounding in the options and to identify your individual and collective ambitions for the future.

Table 1.1: Activist work programme for phase 1 - exploration

Activities	Tasks
Exploring the future: helping the partners to develop a shared understanding of the options available and to confirm their future ambitions.	• Identify the current position, including a document review of the background and strategic context for each partner. • Interview senior stakeholders to identify their aspirations and expectations. • Analyse the results and provide collective and personal feedback to the stakeholders.

Activities	Tasks
	• Design and facilitate workshops and meetings for officers and Members of the Joint Committee to brief on the options and confirm the partnership's ambition. • Develop and agree an outcomes statement to govern the choice of governance model. • Present preliminary findings and agree the next steps.

1.6 Following the completion of that first phase, we established the focus and extent of phase 2 of the work:

- The work of phase 2 would focus on evaluating two principal options: the joint committee and public service company.

- There was some concern that the current arrangements for the Joint Committee have raised governance issues that will need to be addressed so that Shared Digital can operate in a more agile and efficient way.

- The report to the Joint Committee required by its terms of reference would take the form of a discussion paper that will lead to recommendations for a decision by the three Cabinets/ Executives on the future model by the beginning of 2018.

1.7 The work programme identified for phase 2 is summarised below.

Table 1.2: Activist work programme for phase 2 - evaluation

Activities	Main tasks

Evaluating the options: undertaking an initial evaluation of the options for inclusion in discussion document for Joint Committee.	• **Prepare and plan:** revise, update and consult on the engagement plan and develop a mini-project plan for phase 2.
	• **Develop proposals for improving the governance of Shared Digital, including:**
	  • Review and validate your summary of governance issues faced by Shared Digital to identify the underlying constitutional position and the changes required to address those issues.
	  • Develop the model of a 'lean' JC that addresses the current governance issues in discussion with partners' legal teams.
	  • Develop a new current governance framework that is capable of addressing the strategic and operational direction and management of Shared Digital.
	• **Undertake the appraisal of the principal options for the future governance model for Shared Digital:**
	  • Update the outcomes framework and confirm the evaluation criteria for the choice of governance model.
	  • Undertake a review of examples of public service companies and shared services operating under a joint committee (JC) and identify their essential differences.
	• **Support the partners' decision-making and implementation planning:**

Activities	Main tasks
	• Advise on the implementation and transition plans from the current shared service governance model to a new one for both a public service company and a lean JC, including a risk management plan. • Consolidate the findings into a written discussion document suitable for the Joint Committee.

How we engaged with people

1.8 During the course of our project, we have undertaken a range of activities to engage with senior stakeholders. These have included:

- Interviews with members of the Joint Committee.
- Meetings with the Joint Committee.
- Interviews with representatives of the officer-level Management Board.
- Meetings with the Chief Executives.
- Meetings with the Delivery Board.
- Meetings with the Councils' legal advisers.

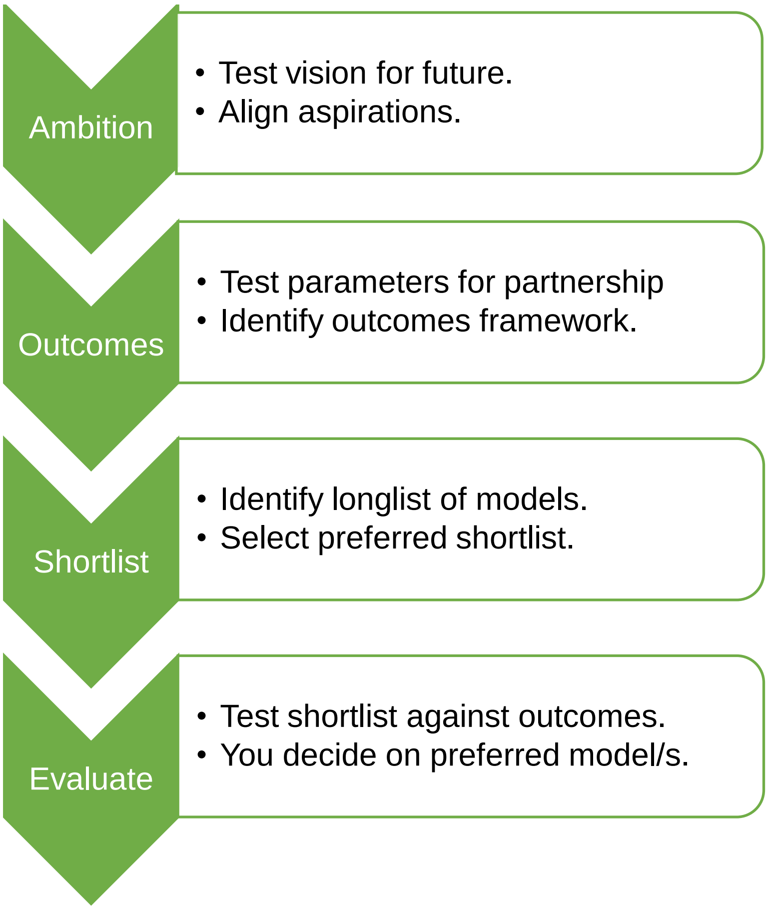
1.9 These informal meetings served to clarify the partners' ambitions, preferences and perceptions as well as the issues they wanted to see addressed by our project.

1.10 Later in this report, we have recommended wider engagement and communication in order to enable Shared Digital to thrive, regardless of the governance model the partners eventually choose.

The process for identifying the right governance model

1.11 Our approach to this review has been based on ensuring that 'form follows function', i.e. you are able to select the model that is most likely to deliver your ambitions for Shared Digital. As a result, we started by identifying your ambitions and translating them into an outcomes framework for Shared Digital. That framework would then be used to evaluate the model most likely to deliver what you want to achieve. This process is summarized in the diagram below.

Figure 1.1: Process for identifying a preferred governance model option



2. Summary of findings in phase 1

Introduction

2.1 Our work in phase 1 centred on engaging with stakeholders to establish:

- The current governance model for the service.
- Their views concerning the current service, the efficacy of the governance and their ambitions for the service.
- What outcomes any new model should support and how this could be evaluated.

What makes for a successful shared ICT service

2.2 Drawing from our experience working with shared services, including looking at case studies, we have established a list of success factors for ICT shared services. These are:

Table 2.1: Success factors for shared ICT services

- **Commonality of vision** and strategies between the partners.
- **Senior business sponsorship** of transformation and technology.
- **Shared expectations** about relationships between the shared service and partners - and between partners.
- **Partners working together** as a joint sponsor rather than as separate clients.
- **Close collaboration** between partner authorities and the shared service.
- **An agreed balance** between cost and quality that is endorsed by all partners.
- **Transparency** over performance and costs between the shared services and the clients.
- **Simplicity and consistency** in governance and charging arrangements.
- **Clarity** about what the service is and what it isn't.

2.3 We have used these success criteria to test Shared Digital's governance arrangements as all of these factors relate to the governance of the service in several connected aspects. In particular, consideration of the 'governance' of a shared service needs to address:

- The formal governance model,
- The protocols and processes through which the model is managed, and
- The culture and behaviours of the partners.

2.4 All three need to be aligned to support a successful shared service.

Initial governance of the shared service

2.5 The current governance of the Shared Digital services is underpinned by a legal agreement drafted in April 2017 and signed in July 2017[1]. The legal agreement works within the framework of the Local Government Acts 1972 and 2000, and the Localism Act 2011, which give local authorities powers to delegate the discharge of functions to another local authority or to a joint committee, and to make staff available ('place' staff) in order to discharge the functions.

2.6 The legal agreement delegates power to govern the operation of the shared service to the Joint Committee ('the Committee') and includes Terms of Reference (TOR) for the Committee. The powers delegated to the Committee include:

- Providing democratic oversight to the shared service.
- Approving the strategic service and financial plan, including performance measures.
- Agreeing the procurement strategy and awarding contracts related to digital and IT spend where the total estimated value exceeds £2m revenue and/or £5m capital[2]. Below these thresholds the authority to agree procurement strategies and award contracts is delegated to the Chief Digital and Information Officer ('CDIO').[3]
- Suggesting revisions to their TOR to be referred back to the Leaders and/or Executive for approval.
- Receiving a detailed report by October / November 2017 that considers the Governance Model for Shared Digital and to make recommendations to the Cabinet / Executive of each partner council.
- Delegating all matters not specifically mentioned above to the CDIO, and delegating any matters mentioned above to a named officer or any of the councils.

2.7 The Committee comprises six members, two appointed by each council of which one must be the Cabinet/Executive member responsible for information and digital technology.

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[1] Shared Digital Agreement 180417 (Clean)
[2] It has been suggested that this may not yet align with Haringey's constitution.
[3] This is a recent amendment to the Committee TOR, proposed in September 2017 which clarifies the position regarding the powers to award contracts. These changes will take effect from October 1st, 2017. in relation to Camden and Islington. In the case of Haringey see Cabinet minutes 12 September 2017 item 60:
http://www.minutes.haringey.gov.uk/documents/g8289/Printed%20minutes%2012th-Sep-2017%2018.30%20Cabinet.pdf?T=1
"The Cabinet Member for Corporate Resources further referred to the legal comments in the report, which highlighted that the Council's Constitution has set a threshold of £500,000 or above where decisions to award contracts or expenditure on a service would be a key decision, which our constitution prohibits an officer from taking.
This meant that awards of contracts related to the Shared Digital IT spend, where Haringey's contribution is estimated to be £500,000 or above, that would be taken by the Chief Digital and Information Officer on behalf of Camden and Islington, would be taken in parallel by a Cabinet Member for Haringey
This was for an intermediate period until a more detailed review of the Shared ICT and Digital Service Joint Committee Terms of Reference is carried out as part of the Governance Model review which will include a review of the current Joint Committee model.

2.8 All Members appointed to the Joint Committee must be members of the Executive or Cabinet of their own council. The Chair of the Committee rotates between the three councils. The Committee must meet at least three times a year at a venue agreed by the Committee[4]. Authority is delegated to Camden to support the Committee in terms of administration.

2.9 The legal agreement also includes Terms of Reference for a Shared Digital Management Board. This is an Officer Board made up of 10 members including the CDIO and the Corporate Director responsible for Finance and/or Resources from each council. This board has overall responsibility for strategic management to ensure the delivery of the joint digital service provided to Camden, Haringey and Islington. The TOR for the SD Management Board also refers to a Delivery Board which oversees the programme to deliver the shared service.

2.10 The Management Board also has responsibility for:

- The business plan and strategy, including key service objectives and investment priorities.
- Ensuring that there are sufficient resources – both financial and non-financial – in place to achieve the key priorities and objectives for the service.
- Monitoring and reporting, to the partner councils, on Shared Digital's performance against agreed metrics on a quarterly basis, taking any corrective action as and when required. The portfolio reporting will include all digital and technology initiatives, a combination of sovereign and SD projects/ programmes.
- Leading on the financial strategy and investment priorities for the service.
- Overseeing and agreeing the cost and benefit sharing framework, ensuring that it remains fair and appropriate for all partners.
- Providing updates on the strategic business plan and performance to the Joint Committee.
- Overseeing the development of work to ensure that, by October 2017, the Joint Committee is presented with, considers and makes a decision regarding the options for the Shared Digital Service to be delivered via a corporate model rather than a joint committee structure.

2.11 The TOR for the Joint Committee and the Management Board recognise the need for an early review of the initial governance model for Shared Digital and consider opportunities for change and improvement, drawing on the experience of the first phase of Shared Digital's operation.

2.12 The Job Description for the CDIO says that the CDIO will report to the Executive Director of Corporate Services in Camden with dotted line reporting to the Chief Operating Officer in Haringey and the Corporate Director Resources in Islington.[5]

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[4] The recent amendment says that meetings will rotate around the partners in alphabetical order
[5] See Job Description in the Shared Digital Agreement 180417 (Clean)

Issues identified by stakeholders

2.13 During the course of our discussions with stakeholders, we were asked to summarise the issues identified that the governance model review needed to address. We have summarised the issues reported to us by various stakeholders, including members of the Joint Committee and the management of Shared Digital. The issues raised with us were a mixture of problems experience so far, perceptions and hypotheses. The issues and their potential impact are summarised in the table below. In the next section we have commented on these issues reported to us before highlighting what we perceive to be the key, fundamental challenges that any changes to the governance model should seek to address.

Table 2.2: List of issues identified by stakeholders and their impact on the service

No.	Description of reported issue	Suggested impact
Building the partnership		
1	**Lack of understanding about Shared Digital.** Information about SD is not widely known. Some do not regard Shared Digital as part of them, it is rather perceived as an external new entity. This leads to them making a choice between the concerns of their staff and driving forward the shared service. Members established at the last Joint Committee that their role is to keep other members briefed, but is that happening among officers? This is exacerbated by Shared Digital staff still being employed across the three partners meaning they naturally look to their employing borough to resolve issues rather than to Shared Digital as their lead employer.	Lack of information allows rumours to spread and impact morale and joint working. This impacts the capacity to deliver and leads to partners reverting to their old ways of working, making it difficult to build a trusting relationship between the partners and the shared service.
Decision making		
2.	**Different key decision thresholds and planning processes.** The three partners have different key decision thresholds and different forward planning processes.	Decisions, especially spending decisions, can be complex to plan and time consuming to steer through each partner's planning processes. In one example, this has added over 50% (3.5 months) to the 6 month procurement timetable. This is likely to delay service improvements (and potentially delay efficiency savings).

No.	Description of reported issue	Suggested impact
3	**The Legal Agreement and JC TOR do not yet align with parts of the constitutions of each partner.** The intention of the delegations within the legal agreement and JC TOR seems to be to delegate authority to procure to the CDIO – however this is not yet reflected within the constitutions of the partners. It was envisaged that the partners (as reflected in the legal agreement) would review their constitutions to reflect the plans for Shared Digital. This also causes concern about the delegations within the legal agreement, and whether they can be adopted, rather than following the procedures in each constitution.	Lack of clarity about decision making processes adds time and confusion to the decision-making processes. Added to this is a continuing risk of challenge on issues such as the design and shape of the service and the extent to which the CDIO has authority for such matters as restructuring the service. This could lead to an increased use of call-in.
4	**Different report formats and report styles leading to nuanced final decision reports.** Each council has different approaches to council reports. The differences mean that the reports can be, albeit unintentionally, amended so that there are differences to the meaning. Advice such as from Finance and Legal advice can be inconsistent leading to three different understandings of the same report.	Each partner's understanding of the meaning of the reports can be different as a result of differing perspectives, leading to confusion. Extra time needs to be taken to develop reports for each partner. Time wasted through duplication; asking three finance and legal teams to review the same decision separately.
5	**Inflexible forward planning processes.** Timescales for decisions are fixed and can be inflexible if urgent and/or sudden changes need to be accommodated.	Decision cycles can be up to three months – if any urgent changes are required the processes are not flexible enough to accommodate this. The delays could have serious negative impacts, eg delaying savings or critical service improvements.

No.	Description of reported issue	Suggested impact
6	**Lack of clarity within the procurement section of the legal agreement.** The legal agreement states that procurement will be delegated to one partner whose contact standing orders and processes should be followed. Later it says any procurement must take account of the other councils' policies. Exactly what this means is unclear. Further the new JC TOR delegates authority to award to the CDIO but does not specify which procurement processes should be followed.	Lack of clarity over what procurement processes need to be followed impacts procurement decisions and timescales and effective and timely contracting and delivery of benefits which are dependent on the procurements being proposed. Could also result in a clash between the procurement processes and introduce the risk of unlawful decisions being made.
Management, recruitment and retention		
7	**Lack of clarity about the terms of the 'lead employer' status.** When initial discussions took place, it was envisaged that Camden would be the 'lead employer', so that it would be responsible for providing a range of support and advice services such as finance, procurement and HR. The legal agreement, however, does not include any terms to clarify the role of 'lead employer' and this has led to confusion about whether there is a lead or host borough or not.	The legal agreement does not mention a 'lead' borough as such although several functions such as committee support and employment of new staff are delegated to Camden. This lack of clarity can cause confusion around roles and responsibilities.
8	**Difficulty in retaining staff.** Some key staff have left citing as their reasons the slow progress towards implementing the shared service and the difficulty of reaching decisions. Managing staff with different Ts and Cs can also cause difficulties. This may also be the result of the brand 'Shared Digital' not being widely recognised and/or understood.	Key staff will be lost, further hampering the implementation of an effective service.
9	**Inability to vary Ts and Cs to attract the best talent.** LA terms and conditions may not be flexible enough to attract and retain the best talent, especially in competition with the private sector. It can also be hard to build a single team in an environment when everyone has a different 'deal'.	The service cannot recruit the best candidates and/or loses staff to the private sector. Effective management of the single team is difficult.

Our assessment of the issues identified

2.14 We have reviewed the issues reported in the table above and would make the following observations for each group of issues:

Building the partnership

2.15 We have found a high degree of alignment of vision and ambition (as we demonstrate below in the proposed outcomes framework) among the members of the Joint Committee and the managerial leadership of the three authorities. Almost without exception, our interviews with senior stakeholders demonstrated an impressive unanimity of purpose and a commitment to collaboration.

2.16 In the next phase of the development of Shared Digital, senior stakeholders will have the chance to communicate, champion and spread this unanimity and commitment throughout the three authorities. Key to this next phase will be the demonstration of **active sponsorship** by the political and managerial leadership in each authority of the cross-cutting programmes of technology-enabled change that Shared Digital will support. While the choice of governance model will assist or hamper that change, the quality of collective leadership will determine Shared Digital's ultimate success. We consider this to a fundamental issue that will need to be pursued regardless of the model chosen.

Decision-making

2.17 Like many shared services, Shared Digital has faced some challenges in navigating the different decision-making arrangements in the three authorities. Having examined one example of a procurement exercise that fell foul of the different delegation levels and committee cycles, it is clear that the current arrangements (with different delegation levels and decision-making processes and cycles) are complicated and protracted.

2.18 Unlike most shared services, the partners in Shared Digital anticipated this issue, by building into their legal agreement a commitment to keep their governance arrangements (including their constitutions) under review to ensure they support, rather than hinder, the work of Shared Digital.

2.19 It might be suggested that navigating the differences in the partners' governance processes is the lot of a local government officer and one that should be undertaken with patience and good planning. However, it can be argued that adding several months to an important procurement exercise is not something that should be tolerated. Savings, service improvements or cyber-security measures could be delayed – with serious consequences.

Management, recruitment and retention

2.20 The issues raised by stakeholders about the impact of the current arrangements for employing staff on the service's ability to manage, recruit and retain are consistent with routine expectations of what will enable an employer to recruit and retain effective staff. Human resource professionals will argue that an employer needs a distinctive set of vision and values which are reflected in an employment relationship in which the employee feels respected and valued. They will stress the importance of communication and clarity and a commitment to staff involvement and engagement. This review provides an opportunity to clarify a number of issues, including the role of the 'lead employer'.

2.21 Given the length of time that Shared Digital has been in operation, it is too early to identify firm trends based on current levels of staff turnover from the evidence available. As the service is embarking on a major change programme there will be degrees of uncertainty for staff a period until the transformation is complete.

2.22 In validating the other employment issues raised, we would make the following observations:

- Branding: it is possible for shared services to develop a distinctive and recognisable brand whichever the model chosen (as demonstrated by the case studies we explore later). The impact of a particular brand on recruitment and retention is more difficult to predict and would merit being tested before being finalised.

- Standardisation of terms and conditions: the challenge for line managers dealing with team members on different terms and conditions and employment procedures has been highlighted as a problem in our work for other shared service partnerships. Some of our case study interviewees identified this as an issue, others did not, putting up with 'muddling through' (as one interviewee described it). We would suggest that muddling through is not advisable as a management practice and that any *avoidable* complexity in operational management should be eliminated if at all possible.

- Flexibility in terms and conditions: the question has been raised whether a company model would enable Shared Digital to respond more quickly and flexibility to difficulties in recruitment and retention in a competitive marketplace for scarce skills. A company can establish its own terms and conditions, but the process for changing the contracts for existing staff would be protracted and may be contentious. Local authorities can and do use market supplements to address skill shortages, so can respond to market pressures.

- Creating a single team: the partners recognise that the benefits of sharing depend on creating a single, cohesive organisation. Shared Digital is currently investigating the best way of achieving that, whether through an overarching shared service employment protocol (that gives the staff of all three organisations equal access to opportunities in Shared Digital) or through transferring all staff to one employer.

Summary of our findings on the issues identified

2.23 Having reviewed the issues raised by stakeholders and tested them based on our experience advising numerous other shared services, we have concluded that some of the issues raised have little substance, but others present a serious threat to the success of Shared Digital unless addressed and are not capable of being resolved adequately within the current governance model.

2.24 Other shared service partnerships often put up with ‘muddling through’. The partners’ wisdom in undertaking an early review of your initial governance model enables you to avoid repeating the mistakes of others and of building a more effective and sustainable partnership. The partners have a vision of Shared Digital becoming a high-performance organisation. Tortuous decision-making processes and fudged management arrangements are not compatible with your aspiration.

2.25 We consider that the issues summarised below are likely to interfere with the next stage of Shared Digital’s development and are not capable of being addressed satisfactorily within your initial governance model.

Table 2.3: Fundamental issues to be resolved in next governance model

- **Complex decision-making**: current decision-making processes and delegations are complex and introduce unnecessary risks and delays.
- **Constitutional differences**: the partners are committed to reviewing their constitutions to facilitate Shared Digital and changes will be needed to ensure consistency.
- **Diffuse employment arrangements**: the current arrangements for employment (with three employers) add complexity and impede the formation of a cohesive organisation.

Recommendation 1

That it be noted that the initial governance model for Shared Digital cannot address the fundamental issues summarised in table 2.3 and that a new model will be required in order to deliver the partners' ambitions.

Confirmation of outcomes and evaluation criteria

2.26 In the introductory section, we set out an approach based on ensuring that form follows function, ie that the governance model chosen reflects your ambitions. They are summarised in an 'outcomes framework' as the basis for evaluating your governance model options. Working with stakeholders, we have developed the outcomes framework below to summarise your ambitions for Shared Digital over the next two to three years:

Table 2.4: Outcomes framework for Shared Digital

Primary outcomes	Secondary outcomes
1.Delivering an excellent digital service	1.1 We enable our partners to make the best use of technology to achieve the right outcomes for our boroughs. 1.2 We provide a great digital offer to residents and help them to take part in a digital world. 1.3 We provide a reliable, quality user experience to all our staff and elected members. 1.4 We ensure our users have the digital skills and tools to work effectively and intelligently. 1.5 We enable partners to use business intelligence to deliver better results for their residents. 1.6 We provide digital leadership to encourage innovation and transformation.
2. Providing great value for money	2.1 We maximise economies of scale, taking a common approach wherever practical and beneficial. 2.2 We offer affordable costs that compare well with other providers. 2.3 We benefit by sharing the cost of investment in new developments. 2.4 We invest together in the technology-enabled transformation of our services. 2.5 We deliver constant improvement by keeping service levels and processes under review.
3. Forging a lasting partnership	3.1 We are a collaborative partnership of equals that everyone benefits from. 3.2 We are streamlined and agile in our decision-making and management. 3.3 We govern the service and its expenditure with transparency and accountability. 3.4 We deliver greater resilience by sharing and mitigating risks. 3.5 We offer each partner more capacity and capability by pooling resources and knowledge. 3.6 We have recruited and retained a talented team with a great reputation for supporting the business of each partner. 3.7 We will consider growth where suitable opportunities present themselves.

Recommendation 2

That the outcomes framework set out in table 2.4 be endorsed as the basis for further work to guide the development of Shared Digital.

The key issues to inform the evaluation criteria

2.27 From the outcomes set out in the table above we have selected those which are particularly pertinent to a governance discussion and set them out below with some additional questions – these will form part of the evaluation criteria for a new governance model (see section 4). The questions have also been informed by the fundamental issues with the initial governance model we identified in table 2.3 above.

Table 2.5: Key questions for evaluating the governance model options

No	Secondary outcome	Key questions
2.1	Taking a common approach	• Does the model make it more or less likely that the partners will be able to adopt a common approach?
3.1	Collaborative partnership of equals	• Will the model help the partnership feel truly equal? • Does the model distribute ownership and risk better?
3.2	Streamlined and agile	• How could it help to streamline and speed up our decision-making? • How does it help address the fundamental issues that have been highlighted?
3.3	Transparency and accountability	• Does the model support transparency and accountability sufficiently to reassure partners?
3.4	Greater resilience	• Does the model help to distribute and mitigate risks?
3.5	Talented team	• What implications would it have for staff's terms and conditions? • Would it help to improve ability to compete for staff? • Could it enable more simplified staff management?
3.7	Considering growth	• Will the model allow for growth if the opportunity arises? • Would it be straightforward for another organisation to join?

Summary of our findings on the initial governance model

2.28 The partners have demonstrated a readiness to keep the governance of Shared Digital under review to ensure it supports its work and your ambitions. We have been struck by **the impressive degree to which your ambitions for Shared Digital are aligned and complementary**. The initial governance model for Shared Digital presents some significant issues that will hamper its subsequent development. The opportunity of this review will enable you to resolve those fundamental issues and choose a governance model that provides a firm foundation for the success of Shared Digital. That success will, however, only be delivered if the partners' senior political and managerial leadership provide active sponsorship for the technology-enabled transformational programmes of change that Shared Digital will support.

Recommendation 3

That each partner ensures that its senior political and managerial leadership provides active sponsorship for the technology-enabled transformational programmes that Shared Digital will support.

3. What governance options are available?

Introduction

3.1 Local authorities have four basic 'sourcing' choices (make, buy, share or divest) when considering how best to organise the delivery of the services that it wants. These are summed up in the table below.

Table 3.1: Sourcing options

Make	Buy	Share	Divest
• In-house transformation • Continuous improvement • Arm's length trading company	• Outsourcing to private sector • Outsource to third sector • Private-sector joint ventures	• Shared services • Shared management • Public sector joint ventures	• Transfer to community • Spin-out to mutual or trust • Devolve to district or parish • Closure
		Examples[6]	
• Westco Trading • iCo	• Elevate East London	• LGSS • Norse	• GLL • BIT

3.2 In our discussions with stakeholders, we explored the options available and identified a longlist of four options to consider as highlighted in the table below.

Table 3.2: Longlist of options for consideration (longlist highlighted in red)

Make	Buy	Share	Divest
• In-house transformation • Continuous improvement • Arm's length trading company	• Outsourcing to private sector • Outsource to third sector ✓ **Private-sector joint ventures**	✓ **Shared services** • Shared management ✓ **Public sector joint ventures**	• Transfer to community ✓ **Spin-out to mutual or trust** • Devolve to district or parish • Closure

3.3 The option of a spin-out to a mutual was explored and rejected. It would take a considerable amount of time and introduce risk, not least because it would require a procurement exercise. This would quite probably be won by a private sector provider, thus resulting in a model that had already been discounted.

[6] A short summary of these public sector examples is shown in Appendix 1.

3.4 The option of a private sector joint venture was explored and considered to be unrealistic. Again, this would require a substantial investment of time with uncertain results. However, it was recognised that Shared Digital would have a relationship with the private sector and we were asked to explore that further (see paragraph 3.24 onwards).

3.5 Following a review of the suggested longlist, two options were selected for further examination:

- **Option 1: shared services, focusing on a joint committee model**, including variations to the current model.
- **Option 2**: **company models**, which would take the form of a joint venture between public sector partners.

3.6 We have described the main features of each of the two models below and have illustrated them with experience drawn from a number of case studies. We have provided a lay summary of the main legal provisions, but we have not been asked to provide a legal opinion and so we would advise you to draw on your own legal teams to confirm the legal position and the most appropriate legal mechanisms to deliver your objectives.

Option 1: joint committee structures

3.7 Joint committees are used by English local authorities in a wide range of contexts. Many are partnership boards representing two or more authorities set up in order to discuss, for instance, an area strategy. Joint committees for shared services are rather different as they are usually set up with powers delegated from the partner LAs to monitor and make decisions concerning shared services.

The legal context

3.8 One or more local authorities engaging in collaboration or shared services arrangements may delegate one or more of their functions to:

- Another local authority (Section 101 (1) Local Government Act 1972);
- The executive of another local authority (Section 19 and 20 Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000; or
- A joint committee (Section 101(5) Local Government Act 1972).

3.9 Local authorities can also make staff available (‘place’ staff) to another authority for the discharge of their functions.

3.10 Most local government shared services use a combination of the powers set out above to govern the shared service.

Setting up a joint committee under the 1972 Act

3.11 Local authorities have considerable flexibility to set up a joint committee appropriate to the purpose of the shared service. Some LAs have a single shared services joint committee which covers several different shared services, some will have one for each shared service. However, all joint committees are public meetings subject to the same governance and scrutiny as other Member meetings of the partner LAs.

3.12 Typically, one of the partner LAs will be chosen to support the JC in terms of administration, although this can rotate round the partners. Similarly, a different LA can be chosen to support the JC on financial matters. Arrangements need to be made for paying expenses, declarations of interest and nomination of substitute members as in any Member Committee. Frequently the Chair of the committee will rotate on a yearly basis. Meetings can be of any frequency which is appropriate.

Models for shared services using joint committees

3.13 A variety of models use joint committees as part of the governance for shared services – below are examples of three models:

- **Joint committee overseeing one or more individual section 101 delegations**: each partner delegates the running of the service, including the operational management, employment, administration of the JC and financial management to a single LA, overseen by a joint committee, which monitors the service and may also review budgets and business plans.

- **Joint committee delegating some aspects of the function to one or more LAs**: in this model, the responsibility for running the service is delegated to the joint committee, which then delegates different aspects of running the service to individual LAs. This is the model closest to Shared Digital's.

- **Joint committee with no further delegations to LAs**: in this model, the responsibility for running the service is delegated to the joint committee supported by staff from partner organisations.

3.14 Whatever the model, a joint committee provides democratic accountability for monitoring the shared services. We were asked to examine whether there are alternatives to the current Shared Digital Joint Committee arrangements that could help to deliver the streamlined approach being sought. We have described such a 'lean joint committee' option in section 4 of this report

Option 2: company structures

Introduction

3.15 Company structures are commonly used by public bodies to deliver services on their behalf. The companies can be owned by a single organisation or the ownership can be shared. Numerous local authorities have established trading companies (such as Islington's iCo) in order to offer services on a commercial basis to other authorities, sometimes to the private sector and, occasionally, direct to the public. Companies are frequently created with the express aim of securing a profit for the benefit of its public sector owners and often form part of an authority's embrace of 'commercialism' in response to financial pressures.

The legal context

3.16 The legal framework for company governance has evolved over the course of centuries through legislation and common law. The principal legislation is incorporated in the Companies Act 2006 (with subsequent amendments), which provides extensive provisions covering issues such as company formation, constitutional arrangements, shareholding and the duties of directors.

3.17 There are other provisions which impact on the operation of companies owned by local authorities:

- Localism Act 2011: Local Authorities wishing to provide service on a commercial basis to make a profit must do so via a company.
- Public Procurement Regulations 2015: allows the direct award of a contract by an authority to a body it controls and for it is the principal client[7]. These regulations put into effect the updated 2014 EU directive on public procurement.

3.18 A publicly owned company can be owned jointly by more than one public body and each body can award a contract without a procurement exercise directly to the company providing the body takes part in the control of the company (this is often called the 'Teckal exemption'). The company can offer a proportion of its services commercially to external customers up to a maximum of 20% of its turnover. If that threshold is exceeded the company will lose its Teckal exemption and the work undertaken by the company on behalf of its owning bodies will need to be put out to tender by those owning bodies in line with public procurement regulations.

[7] Subject to minimum threshold of 80% of the company's revenue being undertaken on behalf of its owner. If this 'function' test and the control test are met, the public sector own can award a contract to the company without undertaking a tendering exercise. This is called the 'Teckal exemption' from EU procurement regulations, with the name Teckal deriving from case law (Teckal Srl v Commune di Viano (1999)).

Setting up a company

3.19 The administrative process for registering and setting up a company is very straightforward. In addition to registering a company at Companies House (which can be undertaken quickly and online), other administrative arrangements need to be put in place, including banking, insurances and registering with HMRC.

3.20 The company will typically take the form of a company limited by guarantee or a company limited by shares. Agreement will need to be reached between the owning bodies about the distribution of ownership (eg the proportion of the shares each body will own). The process of establishing the legal arrangements between the local authority owners and the company they own can be more complex.

3.21 Although staff are sometimes seconded to a company, it is likely that a planned long-standing company arrangement would involve the transfer of staff's employment from the authority to the new company.

Governance arrangements

3.22 The various legal arrangements for a company owned by local authority partners will include:

- The articles of association of the company which sets out the governance of the company, including issues such as decision-making arrangements for shareholders and directors.
- A shareholders' agreement: this will cover arrangements between the owning partners such as mechanisms for managing changes to shareholdings; and notice periods and provisions from withdrawal from the company.
- The contract between the company and each of the owning authorities, identifying the service provided and the payment mechanisms.
- Reserved matters: this will include decisions (eg over major expenditure and taking on new partners) that the owning partners will not delegate to the board of directors.

3.23 A local authority company’s board of directors will generally include a combination of staff directors, directors and/or elected members from the owning authorities. Elected members can be nominated to sit on the board of directors for the company. If they are appointed as directors, they will have a duty to 'promote the success of the company' which may sometimes be at odds with the objectives of one or more of the shareholding owners. As a result, a separation is advisable between decisions made by the board of directors and decisions made by shareholders (eg at general meetings of shareholders).

Involvement of the private sector

Introduction

3.24 In establishing Shared Digital, the partner authorities chose a 'sharing' option in preference to a 'buy' option, i.e. outsourcing the service to the private sector or entering into a joint venture partnership with the private sector.

3.25 While recognising the direction of travel that has been embarked upon, it was suggested during our discussions that it would be helpful to clarify what role the private sector might play in Shared Digital's development. We explore this briefly in this section.

3.26 In the field of ICT and digital services, there are four principal types of private sector provider:

- Software: companies that develop applications, increasingly cloud-based.
- Hardware: vendors of devices and other hardware (eg servers).
- Services: outsourced service providers.
- Consultancies: advisers on the selection and implementation of systems.

3.27 The market is highly diverse and rapidly changing, with some companies trying to offer a comprehensive service across all fields and others specialist (at least initially) in a particular niche.

Working with service providers

3.28 There are various arguments made for entering into service delivery partnerships with private sector ICT providers. These include a desire to reduce costs and/or improves services and are based on an assumption outsourcing will provide economies of scale; access to expertise; access to funding; and greater innovation.

3.29 The evidence of such benefits has been mixed. Some more generalist ICT providers have not been able to satisfy local authorities' expectations and Southwark and Lewisham Councils have both chosen to share with Brent Council rather than continue with outsourcing to the private sector.

3.30 A number of authorities have entered into joint venture arrangements, sharing in the creation of a new company jointly owned with the private sector. Examples include the more recent creation of Elevate East (a joint venture between Barking and Dagenham and Agilisys). Such joint ventures can prove highly complex - our case study of Southwest One illustrates some of the reported lessons.

3.31 Whether outsourcing a substantial part of the service or entering into a joint venture, this would require an expensive and time-consuming procurement exercise and would demand a well-resourced client function once established.

3.32 Given the demands of creating such a partnership and the experience of other authorities, the partners in Shared Digital would need to satisfy themselves that the provider market could now offer an attractive proposition and that the partners had the time and capacity to make such arrangements work.

Working with software and hardware providers and specialists

3.33 Shared Digital already operates a mixed economy, buying both software, hardware and specialist advice from the private sector.

3.34 Few authorities would attempt to write their own large software systems, given the costs and risks involved. Instead, authorities buy software off the shelf or, increasingly, 'rent' applications hosted in the cloud, cf Shared Digital's implementation of Office 365. Local authority digital teams may also develop and maintain small applications and interfaces between systems.

3.35 No authorities would try to build their own hardware and devices and even the direct ownership of server hardware is reducing as storage capacity becomes cloud-based.

3.36 Authorities will also continue to buy specialist expertise to help implement new applications, whether hiring freelance specialists or support from specialist consultancies. The extent of their use is likely to reduce as more technology is 'commoditised', ie it becomes more standard and less configuration is required.

3.37 Such support is likely to be time-limited and project-specific. Using experienced support who have implemented particular solutions on numerous occasions will be quicker, cheaper and less risky than asking in-house teams to learn how to implement a solution that is new to them.

The likely future role of private partners

3.38 Given the progress in creating Shared Digital, an organisation with significant capacity in its own right, there is likely to be little benefit in entering into a long-term partnership with a provider of outsourced services.

3.39 However, Shared Digital can be expected to continue with a mixed economy model in which it will increasingly rent cloud-based applications and server storage, drawing on a project basis on specialist advice and expertise.

Case studies – key points and findings

3.40 We looked at seven case studies as part of our work:

- OneSource shared service
- Hoople Ltd.
- LGSS shared service (and trading company)
- Anglia Revenues Partnership shared service
- Southwest One
- Sutton/Kingston
- Brent, Southwark and Lewisham

3.41 The case studies can be found in Appendix 2 to this document. We are grateful to the organisations who were willing to help us undertake the case studies. The text of each case study reflects their own words and was approved by them.

3.42 The shared service examples illustrate the broad range of shared service arrangements which are possible from a legal partnership through to a joint committee arrangement. Those choosing a joint committee arrangement commented on the fact that it was straightforward to set up and administer, although too many meetings might lead to too much paperwork. Another recommended ensuring that the governance aligns with the political and organisational agendas of each partner for the coming 3-5 years. Another suggested that a joint committee structure helps to ensure that all partners are treated equally. One theme was the importance of setting the delegations at the right level.

3.43 Other points that emerged from the case studies include:

- **Strategic principles of each partner:** interviewees commented that the strategic principles of each partner for the foreseeable future should drive the governance and service model, based on what they value most, e.g. improved service quality, generating new trading income or solely saving money.
- **SLAs**: a number of interviewees stressed that having clear SLAs in place will ensure there is absolute clarity about what is going to be delivered and at what price for each partner, as well as providing a baseline for service planning, savings and any future changes. Comments were also made about the need to build in opportunities for reaffirming and realigning SLAs to adapt to changes in partner circumstances or their drivers for sharing services.
- **Staff terms and conditions**: a number of interviewees took the view that it is easier for all staff to be on the same terms and conditions, but some did not consider addressing this to be priority and suggested that gradual harmonisation can be managed and take place over time through the naturally occurring turnover of staff.
- **Infrastructure**: reliable, shared and common ICT infrastructure should be introduced as soon as possible to enable better collaboration – e.g. WiFi that works for everyone and video conferencing facilities.
- **Procurement:** some of the shared services reported that decisions over certain thresholds were taken at the Joint Committee or were referred to the partners' cabinets for decision. In one case, an authority had delegated procurement decisions to the host authority.

4. Evaluating the governance model options

Introduction

4.1 In this section we consider how the two shortlisted governance model options will enable to you to achieve your ambitions for Shared Digital, as reflected in the outcomes framework set out in section 2 (see table 2.4).

4.2 Each model is examined in turn, using the evaluation criteria set out in table 2.5 which focus on those secondary outcomes most likely to be impacted by Shared Digital's governance model. Before evaluating each model, we have examined how the existing joint committee model could be improved to address the issues identified with the initial governance model option.

4.3 In section 2, we concluded that the initial governance model for Shared Digital does not address the fundamental issues identified in table 2.3:

- Complex decision-making.
- Constitutional differences.
- Diffuse employment arrangements.

4.4 As a result, the current joint committee model has been discounted. However, we have identified that it is possible to adopt a 'lean' joint committee model that could deliver the more streamlined, unified approach the partners are seeking.

A 'lean' joint committee model

Key features of the lean model

4.5 A joint committee governance model could take several different forms as summarised in section 3. We consider the following option balances an agile and 'lean' governance process, which supports the development of a single identifiable organisation, while retaining robust democratic transparency and accountability. Legal advice should be taken on the best approach to delegating decisions to the Joint Committee.

4.6 The key features of the lean model would be:

- **Haringey and Islington directly delegate their digital services to Camden** as 'host' authority under s101 of the Local Government Act 1972. This is the model used by Brent, Lewisham and Southwark for their shared ICT service. This would include employing the staff, managing the service and making day-to-day operational decisions about the service below an agreed level. Staff could be transferred under TUPE or could be seconded (although this does not represent a long-term solution). The arrangement would be underpinned by inter-authority agreements and service descriptions which set out roles and responsibilities and mutual expectations.

- **A joint committee of the partners** approves business plans and strategies; monitors - at a high level - progress against the business plans; and has delegated authority from all three partners to make decisions according to their constitutions. If necessary, the constitutions for all three partners would be amended to include **standard specific delegations** to the Host authority and to the Joint Committee. For example, if each partner delegated authority to the Joint Committee to make decisions above a financial threshold of, say, £500K per partner, and authority to the CDIO to make decisions below this limit, the resulting clarity should make decision-making more streamlined while retaining transparency and accountability at Joint Committee level.

Governance framework for lean joint committee

4.7 These changes would also need to be reflected in a new governance framework for the lean joint committee (lean JC) model. The key elements are set out below:

Table 4.1: Governance framework for lean JC – advantages and disadvantages

Element of model	Advantages	Disadvantages
Islington and Haringey separately delegate operating the service to Camden, including employment and financial management, using s101 of the 1972 Act. This would be underpinned by an inter-authority legal agreement and a service level agreement. If necessary, partners could rationalise their constitutions in terms of the level of decisions which can be delegated to the host authority.	• Unifies the service under one host authority. • Makes it easier to work as a single team and rationalise terms and conditions over time. • Streamlines decision making, particularly if a single set of thresholds and delegations is agreed. • May be easier to establish a brand for a unified organisation.	• Could be perceived as a 'takeover' by host council, rather than partnership of equals. • Pension fund arrangements will need to be examined and addressed if the decision is to TUPE staff to the host authority. • May require changes to the partners' constitutions if certain key decisions or procurement decisions were to be delegated to Camden.
The Joint Committee monitors progress against the business plan; approves budgets and strategies/business plans; also takes decisions over officer delegated limits.	• All decisions not delegated to Camden come to the JC rather than to 3 councils. • Maintains democratic accountability and transparency, including scrutiny. • Avoids the need to go through three separate decision-making processes.	• May require amendments to all three constitutions to set up a standard set of delegations to the Joint Committee and Host Authority. • Still requires a formal decision-making process. • Still open to call-in and any delays that might result. • Shared services under joint committee

Element of model	Advantages	Disadvantages
		arrangements cannot trade (although can set up trading arms).
An officer portfolio board monitors implementation programme and is then convened where necessary over periods of major change. This could become a portfolio management board for the transformational change programme with officers from different partners providing managerial sponsorship of the delivery of each programme. Themed programme boards may report to the portfolio board.	• Keeps focus of service monitoring board on operational matters. • Ensures change programmes are driven forward on behalf of JC. • Distributes sponsorship of programme delivery across the 'partnership of equals'.	• Could result in duplication if not aligned with partners' governance arrangements for other transformation programmes.
A service monitoring board made up of officers from each partner monitors operational service on behalf of JC.	• Keeps the JC focussed on strategic matters. • Could include a commissioning function.	• Having a separate monitoring board would increase the management demands. • May create a customer-supplier mindset.

4.8 This model has the benefit of being consistent with both the outcomes for Shared Digital and the original direction of travel set by the partners:

- Camden already acts as the 'de facto' host for Shared Digital as it employs new staff and provides a number of specific support services.
- It removes the concept of a 'lead' organisation and embeds the 'partnership of equals' through shared strategic leadership and decision-making by the Joint Committee and portfolio board.
- The partners have already anticipated in the legal agreement the potential need to change and align their constitutions to support Shared Digital's operation.[8]

[8] This may not be necessary under direct s101 delegations.

Evaluating option 1: the 'lean' joint committee option

4.9 In this section, we evaluate the 'lean' joint committee model against the 'key questions' set out in table 2.5, to assess the model's ability to support the achievement of the outcomes for the service.

Table 4.2: Evaluation of 'lean' joint committee

	Secondary outcome	Key questions	Evaluation
2.1	Taking a common approach	• Does the model make it more or less likely that the partners will be able to adopt a common approach?	• All routine operational matters will be carried out by Camden as host borough who can then lead the adoption of common approach to policy, procedure and practice. • Having a single organisational structure will enable SD management to spot inconsistencies and inefficient variations more easily.
3.1	Collaborative partnership of equals	• Will the model help the partnership feel truly equal? • Does the model distribute ownership better?	• Could be seen as a 'takeover' rather than a partnership of equals, although the oversight of the Joint Committee and the shared officer governance boards should mitigate this as should the role of CDIO as CO in each authority • Appointing sponsors of change programmes from all the partners should help to ensure ownership across the partnership. • Should not require any additional client-side management.
3.2	Streamlined and agile	• How could it help to streamline and speed up our decision-making? • How does it help address the fundamental issues that have been highlighted?	• Day-to-day operational decisions should be streamlined with a single host authority. • If decisions only need to go to the JC, and not to individual cabinets, this should speed up decision-making.

	Secondary outcome	Key questions	Evaluation
3.3	Transparency and accountability	• Does the model support transparency and accountability sufficiently to reassure partners?	• The Joint Committee, supported by the joint management and delivery boards, should offer sufficient transparency for partners. • If strategic decisions are made by the Joint Committee this ensures that key democratic elements, such as scrutiny and call-in, are in place. • The partners can ensure robust reporting is built in to the service descriptions with the host authority.
3.4	Greater resilience	• Does the model help to distribute and mitigate risks?	• The host borough could take on disproportionate liabilities (e.g. pensions) unless itemized, quantified and addressed through legal agreements. • Shared leadership sponsorship of transformation programmes should mitigate risk.
3.5	Talented team	• What implications would it have for staff's terms and conditions? • Would it help to improve ability to compete for staff? • Could it enable more simplified staff management?	• If staff transfer to the host authority under TUPE, terms and conditions will have protections in line with TUPE law. • It should be more straightforward to develop an identifiable brand for the shared service which may help to recruit staff. • It should be easier for the CDIO to manage staff if they are employed by a single employer.
3.7	Considering growth	• Will the model allow for growth if the opportunity arises? • Would it be straightforward for another organisation to join?	• The service will not be able to trade but additional local authorities can join the Joint Committee without the need for procurement by delegating the service to Camden.

Evaluating option 2: the public sector company option

4.10 In this section, we evaluate the public sector company model against the 'key questions' set out in table 2.5, to assess the model's ability to support the achievement of the outcomes for the service.

Table 4.2: Evaluation of public sector company model

	Secondary outcome	Key questions	Evaluation
2.1	Taking a common approach	• Does the model make it more or less likely that the partners will be able to adopt a common approach?	• All strategic and operational matters will be carried out the company which would ensure a common approach to policy, procedure and practice. • The company should be able to spot inconsistencies and inefficient variations more easily if they are fully hosting the service.
3.1	Collaborative partnership of equals	• Will the model help the partnership feel truly equal? • Does the model distribute ownership better?	• The joint ownership of the company would visibly distribute ownership among the partners. • Appointing sponsors of change programmes from all the partners should help to ensure ownership across the partnership's organisations. • Would require some client-side management.

	Secondary outcome	Key questions	Evaluation
3.2	Streamlined and agile	• How could it help to streamline and speed up our decision-making? • How does it help address the fundamental issues that have been highlighted?	• Day to day operational decisions should be streamlined within a single organisation. • A separation of duties would be required between shareholders' representatives and directors appointed by the authorities, adding a layer of complexity. • Unless a 'light touch' approach is taken to reserved matters and delegations, the company could be subject to the same variances in decision-making processes present in the current arrangements. • If key decisions were delegated to shareholders' representatives and the board of directors and not to individual cabinets, this should speed up decision-making. • Requires commercial administration and accounting disciplines that introduce an additional overhead and are likely to require recruitment.
3.3	Transparency and accountability	• Does the model support transparency and accountability sufficiently to reassure partners?	• Public meetings of the board of directors, supported by the joint management and delivery boards, should offer transparency for partners. • If key decisions are made by the shareholder representatives or the board of directors, care will be needed to ensure that key democratic elements, such as scrutiny and call-in, are in place. • The partners can ensure robust reporting is built in to the service level agreement with the company. • Would require a formal service contract and more complex service level agreement to be established.

	Secondary outcome	Key questions	Evaluation
3.4	Greater resilience	• Does the model help to distribute and mitigate risks?	• The model avoids any one authority taking on a particular burden of risk. • In theory, the partners' liability would be reduced through a limited company. In practice, the partners would find it hard to walk away from the company's liabilities.
3.5	Talented team	• What implications would it have for staff's terms and conditions? • Would it help to improve ability to compete for staff? • Could it enable more simplified staff management?	• If staff transfer to the company under TUPE, terms and conditions will have protections in line with TUPE law. • It should be more straightforward to develop an identifiable brand for the company which may help to recruit staff. • It should be easier for the CDIO to manage staff if they are employed by a single employer.
3.7	Considering growth	• Will the model allow for growth if the opportunity arises? • Would it be straightforward for another organisation to join?	• The service will be able to trade but within limits set by the Teckal exemption (see section 3). • New partners can join without the need for a procurement exercise, providing they share in the company's ownership and control. • The company will be able to trade for profit, but the market will be highly competitive and the prospects uncertain. • Profits will be subject to corporation tax, but can be reduced if prices to owning partners are reduced. • VAT implications will need to be identified. • Will require investment in business development and sales pipeline management and likely to require specialist skills.

Conclusions

4.11 In this section, we have set out to provide a summary evaluation to aid the Joint Committee's discussion. As requested, we have not conducted an exhaustive, formal evaluation including ratings, weightings and a cost/benefit analysis. Given the low set-up costs for each of the two options and the number of similarities, we do not think this would be necessary.

4.12 Nevertheless, we would observe that both models appear capable of delivering the outcomes required for Shared Digital, albeit that the joint committee model does not allow for commercial trading and the company model introduces some additional governance complexities. As demonstrated by the LGSS case study, it would be possible to operate both models in parallel - perhaps at a point when the partners felt that the service was mature and robust enough to make trading for profit a realistic prospect. As trading for profit is not an immediate focus for the partners, a company model may not be a priority.

4.13 For both models, the key to achieving the outcomes you are aiming for, the partners should ensure:

- That you pursue your intention to examine how your constitutions can be aligned to facilitate streamlined decision-making by Shared Digital and the Joint Committee.
- That there is a focus on ensuring senior political and managerial sponsorship of technology-enabled transformation programmes across the three authorities.

Recommendation 4

That regardless of the model selected, if necessary, you proceed to amend your constitutions as envisaged in your legal agreement and, in particular, to align your schemes of delegation in respect of Shared Digital.

Recommendation 5

That you consider our evaluation of two models and decide which governance model or models are most likely to deliver the outcomes you are seeking at this stage of the development of Shared Digital.

5. Next steps

Introduction

5.1 In this section, we set out the main activities which would be needed to implement the two models, and comment on the key transition risks and issues associated with the models.

Implementation – Joint Committee

Action plan

5.2 The key activities required to implement the 'Lean' Joint Committee structure are outlined below in table 5.1. It is important that the changes are managed as a single project or programme so that stakeholders can see how each change is linked to the successful outcomes and those working on the project or programme can understand the importance of timely delivery of each activity and task.

Table 5.1: Key activities for the implementation of a 'lean' joint committee

Activity area	Key activities
Project planning	• Develop and agree the programme or project definition and plan. Put in place appropriate project governance.
Engagement	• Agree and implement an engagement plan to ensure all stakeholders understand the change and the reason for it.
Develop / amend Service Plan for Shared Digital to include the changed responsibilities and, crucially, the new staffing structure	• Review existing plan and agree changes.
Commence staffing project	• Plan the project to transfer staff (if agreed), building in appropriate policies and procedures and formal consultation timescales. • Include an investigation of potential pension fund issues if staff are TUPEd (see Financial Planning below) • Review your support service arrangements in each council in respect of the staff transferred to the host authority.
Governance	• Draw up and agree the legal agreements required for the s101 delegations. • Make decisions regarding any changes to the constitutions of any of the partners. • Revisit the TORs for the Joint Committee and the Shared Digital Management Board and agree changes. • Develop and agree the Service Description including roles and responsibilities and mutual expectations.

Activity area	Key activities
Financial planning	• Revisit the budget necessary for the new arrangements and agree any changes. • Assess the financial impact of TUPE including pension issues and support service arrangements. • Agree apportionment of any redundancy and early retirement costs and any revisions to support service costs.
Team building and workforce development planning	• Invest in a training plan that will double up as a team building programme. • Create a workforce development plan as part of the business planning process. • Develop an organisational development plan for all three partner organisations to develop the culture and management practices required to support Shared Digital and undertake cross-partner, technology-enabled, transformational change programmes.

Key risks

5.3 The table below sets out the key risks associated with the implementation of the 'lean' Joint Committee model.

Table 5.**2: Key risks and suggested mitigations**

Risk	Likelihood and impact	Proposed mitigation
The change will be seen as a 'takeover' by Camden and the relationship will shift towards an 'us and them' relationship rather than a partnership of equals.	Medium/High	Significant engagement with all levels of stakeholders, including staff, Members and Trade Unions explaining the reasons for the change. Make clear that Camden is simply the 'host' and that overall leadership is provided by the Joint Committee and by officer governance boards. Ongoing communication about the service so that all partners feel included. Staff from all partners working on change programmes.
TUPE will be resisted and key staff will leave.	Medium/High	Engagement as above. Communication of new opportunities arising from the changes.
Issues with pension deficits	Low/Medium	Very early engagement with

Risk	Likelihood and impact	Proposed mitigation
and liabilities makes TUPE unaffordable.		the actuaries to assess the impact of any pension issues.
Delays drawing up changes to the constitutions and 101 legal agreements undermine the effective working of the service and partnership.	Medium	Careful planning and management of the implementation project, and excellent engagement on all levels should mitigate this risk.

Implementation – public service company

Action plan

5.4 The key activities required to implement a company model are outlined below in table 5.2. Again, it is important that the changes are managed as a single project or programme so that stakeholders can see how each change is linked to the successful outcomes and those working on the project or programme can understand the importance of timely delivery of each activity and task.

Table 5.3: Key activities for the implementation of a company model

Activity area	Key activities
Project planning	• Develop and agree the programme or project definition and plan. Put in place appropriate project governance.
Engagement	• Agree and implement an engagement plan to ensure all stakeholders understand the change and the reason for it.
Develop / amend Service Plan for Shared Digital to include the changed responsibilities and, crucially, the new staffing structure	• Review existing plan and agree changes.
Commence staffing project	• Plan the project to transfer staff (if agreed), building in appropriate policies and procedures and formal consultation timescales. • Include an investigation of potential pension fund issues if staff are TUPEd (see Financial Planning below). • Review your support service arrangements in each council in respect of the staff transferred to the host authority.
Governance	• Draw up and agree legal agreements required, eg shareholders' agreements. • Make decisions regarding any changes to the constitutions of any of the partners. • Develop the governance framework for company, including delegations to shareholders' representatives and the board of directors. • Form and appoint board of directors and shareholders' representatives and induct into their new roles. • Develop service contract including service level agreements and contract performance management framework. • Establish client side arrangements and client side governance arrangements.
Company formation	• Develop and implement plan for company formation, including registrations and administration.

Activity area	Key activities
	• Establish accounting arrangements for company, including separate accounts. • Appoint suitably qualified commercial company secretary and commercial accountancy support. • Establish commercial disciplines, such as cashflow and profit and loss account management. • Establish support service sourcing policies, considering option for continuing support from the partners.
Financial planning	• Revisit the budget necessary for the new arrangements and agree any changes. • Assess the financial impact of TUPE including pension issues and support service arrangements. • Agree apportionment of any redundancy and early retirement costs and any revisions to support service costs. • Identify cashflow plans for new company, including any start-up funding.
Team building and workforce development planning	• Invest in a training plan that will double up as a team building programme for the management and staff of the new company. • Create a workforce development plan as part of the business planning process. • Develop an organisational development plan for all three partner organisations to develop the culture and management practices required to support the new company and undertake cross-partner, technology-enabled, transformational change programmes.

Key risks

5.5 The table below sets out the key risks associated with the implementation of a company.

Table **5.4: Key risks and suggested mitigations**

Risk	Likelihood and impact	Proposed mitigation
The new company will be seen as an outside body and there will be a shift towards an ‘us and them’ relationship rather than a partnership.	High/High	Significant engagement with all levels of stakeholders, including staff, Members and Trade Unions explaining the reasons for the change. Make clear that the company is *our company* that the partners own and control. Ongoing communication about the service so that all partners feel included. Staff from all partners working on change programmes.
TUPE will be resisted and key staff will leave.	Medium/High	Engagement as above. Communication of new opportunities arising from the changes.
Issues with pension deficits and liabilities makes TUPE unaffordable.	Low/Medium	Very early engagement with the actuaries to assess the impact of any pension issues.
Delays drawing up legal arrangements which undermine the effective working of the service and partnership.	Medium/medium	Careful planning and management of the implementation project, and excellent engagement on all levels should mitigate this risk.
Difficulties in developing the skills and disciplines required to manage a commercial organisation.	Medium/high	Careful planning for the commercial requirements for company management, recruiting the experienced resources required to support a commercial operation.
Inability to compete effectively for new business.	High/medium	Create and resource business development plan. Develop bidding and contracting disciplines and client relationship management.

Summary

5.6 There is a good track record in local government of implementing joint committee and company governance arrangements and the partners in Shared Digital have the resources, skills and commitment required, drawing on external specialist advice as and when needed.

5.7 Ultimately, the success of Shared Digital will depend on effective collaborative leadership and committed partnership working. While the governance model is important, culture and leadership will be critical if you are to achieve your ambitions.

Appendices

Appendix 1

Examples of sourcing options

In table 2.1, we have provided some examples of the sourcing options (make, buy, share or divest). The examples are summarised below.

Example	Summary
Westco Trading	Westco Trading is the trading company for Westminster Communications, a communications and market research consultancy established by the City of Westminster Council.
iCo	iCo is the trading name of Islington Limited, a trading company established by Islington Council to provide engineering and environmental services.
Elevate East London	Elevate East London is a joint venture between London Borough of Barking & Dagenham and Agilisys, an IT service provider which provide customer services, revenues and benefits, ICT and other back office services.
LGSS	LGSS is a shared service partnership between Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council. It provides a range of support services to the partners and other authorities.
Norse	Norse Group is a holding company with a turnover of over £250m, wholly owned by Norfolk County Council. Norse Group's companies provide a wide range of services (eg technical, environmental, catering and building maintenance) to a range of partners and clients across the country.
GLL	Greenwich Leisure Limited (operating under the brand 'better') is a charitable social enterprise providing leisure and library services to various authorities around the country.
BIT	The Behavioural Insights Team, which began as 'the Nudge Unit' in the Cabinet Office was spun out to into a company jointly owned by the UK government, Nesta and its employees. It now operates across the world offering behavioural insight advice to the public sector.

Appendix 2

Case studies

Seven case studies have been developed, six with the assistance of the organisations involved. After speaking to each interviewee, we drafted the text of a case study. That draft case study was then forwarded to the interviewee to review and approve. As a result, the case studies reflect their own words, which we have not sought to validate further. The case study on Hoople Ltd is drawn from publicly available material and is not the result of an interview.

Ref	Organisation
1	OneSource
2	LGSS
3	Hoople Ltd
4	Southwest One
5	ARP
6	Sutton/Kingston
7	Brent, Southwark and Lewisham

Case study: oneSource – joint committee

Shared service
oneSource is the shared back office support service for Havering, Newham and Bexley Councils. In April 2016, Bexley's financial services joined the two founding councils. The three councils are estimating to achieve approximately £40M in savings by 2018/19.

Summary
oneSource has approximately 1000 staff and a £36m budget. They provide a shared service solution covering a wide range of 22 transactional, operational and strategic services, including finance, ICT, legal, HR, transport for Havering, support services and property.

Shared service governance model
The joint committee (JC) was set up in 2014. Havering and Newham have 3 JC members each. As Bexley joined with financial services only, they have 1 member on JC, making 7 members on JC in total. Each council has delegated certain powers to JC in line with their constitutions and organisational needs.

In terms of procurement, oneSource contract from a lead authority on behalf of the other two. The preferred lead authority depends on the nature of the procurement and the democratic processes that need to be followed (such as delegated financial limits and speed). The Managing Director is delegated permission to spend up to £500k before it refers to JC.

With close to 4 years of successful operations, oneSource is currently exploring its future options and examining the market. It is perceived that being delegated more autonomy at arms-length could enable the delivery of greater efficiencies and help oneSource grow its customer base beyond the current three boroughs, generating more income for its shareholder councils.

Why the model was chosen
The JC was chosen for reasons of speed of set up – it was considered the quickest and speediest way to get the new model in place and help deliver savings.

All oneSource staff have stayed employed by their home boroughs – there has been no TUPE. If someone leaves, they are replaced on the same T&Cs. This help keep staffing levels consistent across the partners. oneSource manage the range of T&Cs across the organisations without much difficulty. Staff have experienced some challenges, as two of the partners have gone recently through their own T&C transformation changes that affected staff who are part of oneSource. No TUPE has also minimised the perception of risk with Unions and staff, as well as pension considerations and cash flow at each employing borough.

Lessons learned
oneSource recommend ensuring that the governance model aligns with the political and organisational agendas of each partner for the coming 3-5 years. This avoids conflicts and establishes a timescale for the journey ahead. Realistic, open budget conversations are also required to ensure everyone is clear about what is in, or out, of the partnerships – SLAs are essential to confirm these arrangements. Confirming the customer relationship and business culture is also important. oneSource are there to support their customers, not to act as policemen – and Customer Boards are in place to address developing issues formally as and when required. Finally, it is considered inevitable that the more partners involved, the more complicated reaching decisions can theoretically be. The best way to get around this is through trust and delegations that suits the needs of the partners.

Key learning points
The strategic direction and priorities of each partner council must be considered when deciding upon a preferred governance model and plans for the future growth of a shared service. A visible and credible brand for the service is also extremely helpful when recruiting, which can be helped by promotion efforts and visibility at awards and exhibitions. The topic of having staff on different T&Cs is considered a minor frustration. Market supplements can be offered when required, but areas such as upskilling of staff and costs of training can become sticky. It is considered that a single set of T&Cs for all staff would eventually be the ideal situation but it isn't a priority in the short term.

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Case study: LGSS - joint committee and public service company

Shared service

LGSS is one of the largest public sector shared services ventures in the UK, jointly owned by Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council. LGSS was originally created in 2010 through the merger of Corporate Services operations at Cambridgeshire and Northamptonshire into one unified, public-to-public shared service. LGSS has since secured new partnerships across the region with other public services including Norwich City and Northampton Borough Councils, and the Northamptonshire Foundation Health Trust. From 1st April 2016, Milton Keynes became a full partner with representation on the LGSS Joint Committee (JC) board.

Summary

LGSS has grown to approximately 1600+ FTEs providing the full scope of Business Support Services, including all Finance and Audit, HR & Payroll services, Legal Services, ICT and Business Systems to its customers. It has a turnover in the region of £85m pa of which c£8.5m is being generated by its subsidiary company LGSS Law (which has Admitted Body Status with the SRA). LGSS Law Ltd staff were transferred under TUPE from each of the three ownership councils' T&Cs, with no specific plans to harmonise T&Cs.

Shared service governance model

LGSS shared services is governed under delegation to an LGSS joint committee board. Each council or public body has therefore delegated budgets, staff management and the employment responsibilities to the LGSS JC who in turn delegated operational management responsibility to the LGSS Managing Director and shared Service Directors. There is no lead authority as service and budget responsibility has been delegated to the LGSS JC. The LGSS Law Ltd legal service arm was originally formed as a jointly owned company limited by shares between Cambs and Northants, which was recently expanded to include Central Bedfordshire Council.

The LGSS JC is a cross-party, members based board of governance structure whereas LGSS Law Ltd is governed through a shareholders' board consisting of the MD, NEDs, Finance and Legal Directors, with each Portfolio holder having the shareholder representatives and voting rights.). LGSS JC meetings are held quarterly whereas LGSS Law Ltd holds regular shareholder general meetings typically 3 times a year. The Chair is replaced annually on a turn-taking basis and holds a power of casting vote.

For LGSS Services it is usual for the retained Finance Director of partner authority to act as an intelligent client or LGSS Services Commissioner. LGSS operates a business partner model and adapt is able to customise and adapt their model to meet specific service requirements of each customer. There are formal SLAs agreed between LGSS and all its customers including the three owning councils (i.e. as LGSS customers). LGSS Law Ltd also operates a Business Partner customer service engagement model.

To date, there have been no real issues with joint procurements of shared systems and assets, as the approach is production of joint investment and joint business cases whereby each partner is asked to invest against discrete benefits/ costs/ risks/ rewards as part of any co-commissioned or jointly planned programmes between the various parties who choose to participate. There are currently no major changes planned in the LGSS shared business model apart from LGSS continuing to evolving its current governance structure as it grows and responds to its core partners' circumstances and their challenges.

Any additional full scope major partners for LGSS Services would simply involve extending the LGSS JC membership over time. And for LGSS Law Ltd specifically we have the ability to issue new shares to help facilitate strategic mergers and consolidations for legal service public service partnerships and growth plans.

Why the model was chosen
During the setup of LGSS, a range of options were considered. The partners felt that the JC route offered the best route for ownership and political partner buy-in at the time, as well as its simplicity it avoided staff TUPE transfer concerns. It is perceived to be the most expedient governance model for start-up with the minimum pain, change and member resistance associated with its inception. New customer and shareholders can be brought on-board fairly easily through delegation and avoid time consuming, costly and expensive OJEU procurement procedures to new partners. We moved LGSS Law Ltd to the ABS SRA regulated model because this best suits the professional service plans we have for it, and it affords LGSS Law Ltd greater degree of freedom when it comes to workforce development, and competing for legal skills in recruitment and retention terms.

Lessons learned
LGSS note the value in retained council commissioners sitting with the councils acting as senior intelligent client role. From practical experience, some service areas do not suit being delegated or shared, so it is important to consider carefully what gets included. It is essential to have SLAs and agreed annual service charge arrangements in place with each partner, to provide baselines for service planning and change management, measuring quality and service delivery expectations, and agreeing what, how and where savings will be achieved and their agreed impacts on service over time, and to do this joint service planning openly as part of the normal Mid-Term Financial Planning individually with each partner annually.

Key learning points
To avoid the perception of ‘forced’ changes upon any partner, it is crucial all partners and members share an understanding of how the shared service and JC will operate. LGSS saves money by getting bigger (i.e. it’s a shared risk/ reward economies of scale model. LGSS’ key purpose is to serve its customers, offering value for money and at an agreed quality of service, i.e. a not for profit model. The idea of “thinking like a customer, acting like a tax payer” is LGSS’s business ethos and it aligns with each partner’s long-term goals. Having staff on different sets of T&Cs is considered a distraction, rather than a real issue to contend with and is effectively managed as part of the shared services model. Experiences in the private sector has seen similar shared teams working with multiple T&Cs so why would shared services be any different? Gradual harmonisation can be managed and take place over time at service team levels if beneficial and is naturally occurring and managed through normal staff turnover.

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Case study: Hoople Ltd - public service company

Summary (taken from public domain reports)
Hoople was created in 2011 by Herefordshire Council, the Wye Valley Trust and the then Herefordshire Primary Care Trust as a “Teckal” or “in house” company with a vision “to provide excellent business support services to the public sector and those who work with them”. Since 2011, Hoople has established itself as an effective organisation and has delivered significant cost savings to the shareholders.

Over the past two years, a number of changes have been introduced to ensure the company remains able to deliver back office services to the shareholders and other customers in the future. Herefordshire Council and Wye Valley Trust are the two shareholders with 85% and 15% shareholding respectively. Reductions in management overheads were delivered in 2015/16 and the size of the company board reduced to ensure the company focused on future priorities of the shareholders. The company board currently comprises Andrew Cottom (Wye Valley Trust), Councillor David Harlow (Herefordshire Council) and Geoff Hughes (Herefordshire Council).

The council commission services with Hoople through a strategic service level agreement with services provided at cost with no profit element. Performance of the services delivered through the SLA is currently reported and monitored in accordance with the Council’s Performance and Risk Opportunity Management (PROM) framework through Directorate performance processes on a monthly basis. Current requirements in relation to service volumes and key performance indicators are included within the SLA. The revenue expenditure through the Hoople SLA for 2017/18 is expected to be £5.545m. This is contained within existing budgets and provides for a range of services covering ICT, Human Resources, payroll, recruitment, training support, finance, revenues and benefits.

The Parties understand and agree that the success of the delivery of the services is heavily reliant on the implementation of a robust and appropriate governance structure. Effective governance is essential in achieving the objectives of any Partnership, especially one where outputs rather than inputs, are the defined objectives.

The three key aspects of governance in this relationship are:

1. Formal Communication – regular meetings at operational level and relationship level to monitor the performance of the services and for both parties to understand the impact of day to day activities and decisions.
2. Reporting Performance – monthly performance reports focusing on key performance information along with corrective action plans as necessary.
3. Escalation – wherever an issue or potential issue that cannot be resolved by those directly involved occurs, it is incumbent upon those involved to escalate to their line manager (who may in turn escalate further up the management hierarchy) to ensure that a prompt resolution or action plan to achieve resolution is implemented.

Monitoring takes place through regular meetings between service leads from both organisations. In addition, meetings at senior level take place quarterly to ensure there are no major contract changes or quality issues to address. Without effective governance it is acknowledged that the delivery of the Services will be compromised and that the Partnership Statement will not be fully achieved.

For further information
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Case study: Southwest One – private sector involvement

Shared service

The Southwest One (SWO) partnership and contract was originally entered into by Taunton Deane Borough Council (TD) in conjunction with Somerset County Council (SCC) and IBM in 2007. Avon and Somerset Police (ASP) joined in 2008. The 10-year contract was for the delivery of a range of back office services and a number of key transformation projects. At the time of exit, SWO was one of TD's largest contracts, costing circa £1.7m per annum, although this had significantly reduced by service de-scoping during the term.

Shared service governance model

SWO was set up as a third party joint venture company, with IBM as the majority shareholder and the public sector partners holding percentage shares based on original contract size. The Board had equal shareholder representation, but with certain reserved matters per shareholder. The Board received regular updates on performance and financials, but it is felt that the right things were not always being measured and that actual achievements versus targets were only a small part of the overall picture.

SWO ran a secondment model - there was no automatic TUPE of staff – and seconded staff had a 10-year period of assured employment. However, this meant SWO was unable to reduce staffing levels to help it deliver savings. SWO teams would consist of a mixture of staff from the two councils, SWO direct employees, police, IBM and/or agency staff. This occasionally caused confusion and conflicts with communications being issued to staff from SWO as well as their host organisations.

Initially, it was intended that the public sector partners would have a joint client team. In reality, separate client teams represented each partner's interests. This made life difficult for SWO as each had different aims and priorities. Insisting on a joint client team may have informed the development of a shared strategy for SWO.

Why the model was chosen

In pre-recession 2005-06, TD and SCC had been rated as Excellent councils and were exploring avenues for achieving Gershon savings targets of c2.5%. Entering a contract with a private sector partner to deliver savings and reinvest in service delivery was considered a positive move, with a standalone 3rd party company, following a growth model, considered the best vehicle to achieve this. The idea led to the formation of SW1 in 2007, led by TD and SCC, with ASP joining 6 months later.

It was perceived that great opportunities for economies of scale existed within the new SWO's body of over 1000 employees, as well as year on year price reductions, primarily through procurement savings of c£200m over 10 years and creation of a new back office hub that would attract new business from within the public sector. There was a lot of initial enthusiasm and interested parties, but the effects of the recession and harsh austerity meant that the money was no longer available in the sector to invest - the sector had tightened its belts. Delays to the major programme of work required to integrate the partners also led to a significant period of time elapsing before SWO was fully up and running, coupled with the need for additional investment being required by IBM to make it all work.

By 2010, the Councils had much larger savings targets as a result of the recession, but basically had a fixed price contract with SWO, and no new joiners to provide SWO with opportunities for efficiencies. The initial vision had fizzled away and contracts were all that was keeping the partners together. SWO/IBM had been left with a service contract, predicated on a growth model. As a result, SWO was reporting significant losses.

Lessons learned
The world has changed significantly since TD entered the SWO contract in 2007. The recession had an unforeseeable impact on local government funding and the levels of savings TD needed to make. The ambitions and direction of travel of the partners also became significantly different to how they were when they started. Whilst there are still opportunities to work together in specific areas, TD no longer look to combine services in an organisation the size of SWO. Advice and guidance from central government has also changed and recognises that large, multi-faceted and lengthy contracts are not the right solution in the current environment. Instead, best practice has recommended smaller, more focussed contracts where outsourcing is being considered.

TD have brought back in-house a number of services from SWO during the past 3 years. The remaining TD services returned early in two phases in Dec 2016 and March 2017 being Customer Contact, ICT, Procurement and the transactional elements of HR (including Payroll) and Finance. The 10-year contract was scheduled to end on 1st November 2017.

Key learning points
Creating a stand-alone organisation may be speedy, but it can lead to a loss of control, particularly around the new organisations procurement policies. It is essential to maintain alignment of strategic objectives and desired outcomes of each partner. Ensuring each partner keeps an element of service expertise in-house also means that an intelligent client team has the knowledge and skills to influence, inform and shape the delivery and service's strategic direction.

Working with different sized partners can cause problems – but if you are broadly the same size, it can make it easier. Mixing teams with a bigger organisation can lead to the most common cultures being embedded as the new norm, which can frustrate smaller partners.

Contracting a large basket of services over a lengthy period is also to be avoided. Breaking up contracts into smaller chunks is recommended. Ensuring there are opportunities to adapt to inevitable changes in partners' circumstances and objectives is also recommended, as is avoiding complex contracts that are ambiguous or difficult to unpick. Building in review periods to reaffirm, reflect and realign contracts is recommended.

Being realistic about savings is also important. Setting expectations over a foreseeable period will mean the service can move forward with realistic targets in sight. Bundling in big packages of work over lengthy periods leads to more uncertainty for all parties involved.

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Case study: Brent, Southwark and Lewisham - joint committee

Shared service
A three-way shared ICT service is in place between the London Boroughs of Brent, Southwark and Lewisham. With a combined team of approximately 100 people, Brent is delegated to act as the host authority for delivery of the ICT service within the agreed scope, including the procurement of ICT related goods and services and management of shared ICT service staffing.

Shared service governance model
The service operates a joint committee (JC) model. The model was chosen for reasons of simplicity – it was considered the least painful to setup legally. Most decision making is delegated to JC by the partners under S101 arrangements. JC acts as a place to resolve any conflicts and report performance to. Under normal circumstances, the service is run by the Service Manager.

In terms of procurement, there are two arrangements. Southwark delegate to Brent, who follow Brent's procurement rules, with a procurement limit of £500k, and anything above this is referred to the Brent Cabinet for approval. Lewisham refer expenditure decisions of over £500k to their Mayor & Cabinet, but require supporting reports.

Moving forward, the service is ambitious about growth, so the model may be reviewed, and the possibility of a company explored, to accommodate a shift towards trading and selling services in addition to the current sharing arrangements. Brent already currently sell services to the LGA through a jointly-owned Teckal company.

Why the model was chosen
The JC was chosen to suit the partners' circumstances at the point of establishing the shared service. It is not believed to be workable to keep adding extra representatives to the JC should the service grow further as is the intention, so a range of potential options for the future are currently being explored.

Due to the host authority approach, Brent received Lewisham's teams from Capita (as the external provider of the service). It is possible that staff from other retained/devolved Lewisham teams may TUPE to join Brent going forward. Southwark are in a similar situation, although staff in scope have not yet been transferred to Brent. Upon receiving Lewisham/Capita staff under existing T&Cs, Brent conducted a full restructure of the new service resulting to all staff, either existing Brent or transferred to Brent, being issued with new JDs. This was done with the intention of delivering a structure that is fit for purpose to deliver services to a wider user base across multiple authorities. This exercise also resulted in all staff having standard Brent T&Cs and the new JDs are suitable for receiving new staff when required.

The lead authority approach has meant that, with Brent as the host, all contracts are novated to, and new contracts procured by, Brent as a single contract. This has been a time-consuming process, as upon exploration, historic contract records have been patchy and therefore difficult to baseline and novate. This has caused delays, but has been a worthwhile process to achieve benefits and secure savings for the partners.

Lessons learned
Whilst the JC process is smooth, it is recommended that JC meets as little as possible in order to minimise overheads and reduce the need for report preparation. Quarterly meetings currently take place, but often there is not much to report, due to smooth progress.

1 year in, there is occasionally a perception that the service is external (i.e. provided by Brent) to the other partners. This is considered something that will iron out over time as ways of working and sharing culture becomes the norm.

Key learning points
Brent believe that growing further will produce more savings opportunities, built on being able to achieve greater economies of scale. However, it is not felt that new partners would choose to go with an LA over an external brand for reasons of cost alone, and that the brand and culture of local government offers a USP to shared services.

Pursuing a shared service is considered the obvious 'no-brainer' solution for the partners. Savings have been delivered, resilience has increased as well as the number of staff in the service.

For further information
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Case study: Anglia Revenues Partnership - joint committee

Shared service
The Anglia Revenues Partnership (ARP) is a group of seven district/borough councils working together to provide a shared service to the residents of Breckland District Council, East Cambridgeshire District Council, Forest Heath District Council, Fenland District Council, St Edmundsbury Borough Council, Suffolk Coastal District Council and Waveney District Council. ARP deliver a range of services, primarily billing, council tax, housing benefit, benefit fraud, bailiff enforcement and training.

Shared service governance model
ARP operates a S101 delegated joint committee (JC) arrangement with no lead authority - all partners are equal. There is a single Member representative per authority for quorum of JC, with majority vote rule, and the Chair having the power of casting vote. The position of Chair rotates annually amongst the partners. Reports are created following one of the original authority's templates, with officers at each partner authority creating their own tailored versions as required.

In terms of procurement, a lot of decisions are not delegated to JC. Major procurements would go to JC, but then each decision would be noted by, or goes through, each individual Council's approval processes as per their individual constitutions. Members revert back to their individual Councils if anything is over their individual financial limits – however approvals don't necessarily need to go through any great decision-making timeline.

Why the model was chosen
A range of options were considered at the point of set up, including a lead authority approach or joint venture company. However, the strategic desire of each authority was to retain the staff, so no TUPE's have taken place (except for one previously outsourced partner's teams who have been brought into the partnership). ARP staff work on different T&Cs whilst still being employed by their sovereign authorities, with a little bit of geographic movement having taken place for operational benefits. In addition, actuarial advice flagged a detrimental impact on pension schemes were a number of staff to be TUPE'd out, reinforcing the decision to follow this approach and not pursue becoming a Teckal company.

Lessons learned
ARP believe any governance model can be made to work, but each have pros and cons. The JC model best suits ARP, but care is needed to avoid holding up decision making and over-onerous processes being introduced or retained. One advantage of a JC is considered to be that all partners come out with a shared outcome, however if there is any sense of imbalance at the start, this must be addressed. It is not perceived that there is any better model to choose than JC.

It is noted that co-locating staff can make different T&Cs more of an issue amongst staff, but offer greater managerial economies of scale. The topic occasionally rears its head, but is considered a distraction, rather than a significant issue, and will solve itself over time.

It is suggested that the strategic principles of each partner should drive the end model, based on what is most valued – e.g. value for money, service quality, generation of income from trading or just saving money. ARP are also no longer interested in adding any extra full partners as they have now reached a critical size where the operational benefits will not outweigh the risks. Getting actuarial advice on the pension implications of each model being considered is also strongly advised.

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Case study: Sutton and Kingston – shared service

Shared service
Since 2013, the Royal Borough of Kingston Upon Thames and the London Borough of Sutton (KS) councils have shared an ICT service, saving c£4m to date. The authorities believe that sharing ICT helps enable digital transformation, saves money, modernise ways of working and improve service delivery to residents.

Shared service governance model
KS do not operate a joint committee arrangement. Instead they report to a monthly shared Director-level management board as the decision-making body. Within the scope of a shared legal agreement, KS each have a vote, with a legal framework in place to resolve potential deadlocks, although it has never been used. Both KS have a small number of reserved matters that they retain sovereign control over. A Member board leads on service communications and provides strategic oversight, but it is not a decision-making committee.

When the service was set up, approximately 30 Sutton staff TUPE'd to Kingston as the host authority. This was followed by a restructure, leaving the service with a workforce of about 90 people. T&Cs have not been an issue, as both sets of staff were fairly aligned pre-TUPE.

In terms of procurement, KS trust the effectiveness of each other's commissioning processes. A preferred process will be followed depending on the nature of the service area according to the commissioning rules of the Council.

Why the model was chosen
ICT was one of the early shared service arrangements between the two Councils, and the belief was that having ICT in place has made it easy to share other services subsequently. Each service is hosted by a lead from one of the two partners. Decision making feels efficient and KS have deliberately tried not to over-engineer the governance arrangements. The levels of management – up to Director level, with a shared decision making management Board - works well and is not overly complex. The ICT Head of Service has arrangements in place to report to the portfolio holding Member at each Council.

The shared model is perceived to drive cost savings, provide value for money and help KS pursue new business. At the start, KS had poor ICT infrastructure, which has since been completely modernised through the use of partners such as Citrix and Google. This early investment in shared ICT has enabled the councils to share other services more effectively, such as HR, Finance, customer services, Environmental Services and shared telephony.

Lessons learned
The organisational and infrastructure requirements to best support the sharing of ICT has had to be refined and evolved since the service was set up – it would be difficult for any shared service to get it 100% correct from the start. Bringing different organisational cultures together has also taken time as staff had to adapt to new ways of working. Stakeholders comment that the service feels like a single joint-team providing ICT to multiple organisations, with a shared single set of collaborative, integrated technology infrastructure and email structure helping facilitate this. A focus on getting the basics right from the start - e.g. making sure the Wi-Fi works everywhere for everyone – was essential. It is worth noting that service failures can happen like with any ICT service – but they are never due to it being a 'shared' ICT service.

Key learning points
KS perceive the partners' cultures and location of the teams as important to consider and integrate from the start. Reliable, shared and common ICT infrastructure should be introduced as soon as possible to help collaboration happen remotely – e.g. video conferencing facilities. KS note the amount of time they save by having made it the new norm for meetings to take place where not everyone is based in the same room. This continues to save colleagues travel between geographical sites and enables other shared services outside of ICT to do the same as well.

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