

Report for: Cabinet on 13 November 2018

Title: Cessation of the Shared Digital Service

Report

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Ward(s) affected: N/a

Report for Key/

Non Key Decision: Key Decision

1. Describe the issue under consideration

- 1.1 This report provides an update to Cabinet on the development of our Shared Digital Service (“Shared Digital”) with the London Boroughs of Camden and Islington. It has become clear that the three Councils have different local priorities and approaches with regards to ICT and digital services. As such, new arrangements are needed to ensure that each Council has the most suitable arrangements in place for its own local circumstances and projects.
- 1.2 This report sets out the process to discontinue the arrangement with effect from 31 December 2018, ensuring a rapid process to ensure stability for our ICT and Digital services in Haringey.

2. Cabinet Member Introduction

- 2.1 This matter relates to the end of the Shared Digital project. Although that endeavour was based on a worthwhile principle, that of gaining improvements by joint working with other local authorities, it was not possible to continue with the project. Nevertheless there have been some benefits to Haringey from participation in Shared Digital thus far, as described in the report. Although the termination of the project was not something which was sought by our borough, it does provide Haringey with more direct operational control of our ICT and digital services going forward. I have discussed the situation with the trade

unions, who are happy with staff remaining in the direct employment of the London Borough of Haringey.

3. Recommendations

3.1 The Cabinet is asked:

3.1.1 To agree that the Cabinet resolutions made on the 17th July 2018 are not progressed and that a local Haringey Council ICT service will become operational ahead of the ending of the shared service arrangement, anticipated by the 1st January 2019.

3.1.2 To delegate authority to the Director of Customers, Transformation and Resources to put the above into effect, including: finalising dates for incremental transition of the service; the final date on which the shared service arrangements will end, and the agreeing of the financial implications of the cessation of the SDS delivery arrangements and their return to Haringey sovereign management.

4. Reasons for decision

4.1 This report is submitted for consideration by Cabinet urgently because it is clear that the three Councils have different local priorities and approaches with regards to ICT and digital services. This means that the proposed Digital Shared Service can no longer be implemented and it is necessary to revert to local operations at pace to maintain integrity of service.

4.2 Given the diverging priorities of the three councils, it is no longer possible or practical to implement a shared service, or 'light' model, as envisaged.

5. Alternative options considered

5.1 In light of the decisions made by the other partner boroughs (Camden and Islington), to the effect that the Shared Digital Service should be closed and that the pure shared risk and reward principle is no longer viable, it is not practical to pursue another option at this stage although, where possible the Council may seek to work closely again with Camden in the future as and when it is mutually beneficial to do so.

6. Background information

- 6.1 Shared Digital was created by the London Boroughs of Camden, Haringey and Islington and formally came into existence in October 2016. The agreed principles of that service were that it should be a 'high trust' model, operating with a fully integrated staffing model, and with an open book, transparent operation, encompassing all areas of ICT and digital services, in which all three boroughs would be engaged. As a result of that model, there was also expected to be equality of investment and risk, and therefore equal shares of benefit, saving and underspend. Governance was via a Joint Committee structure with two executive Members from each council acting as members of that committee.
- 6.2 In July 2018, it was agreed to amend the basis of the proposed Shared Digital service from that fully integrated approach to a "light" model that focussed on shared infrastructure, whilst continuing the core principles of: 1) shared investment / shared savings and 2) a high trust approach to sharing across boroughs. Cabinet agreed a delegation of authority to the Director of Customers, Transformation and Resources to take all necessary steps to put arrangements for the new governance model into effect, including but not limited to finalising the detailed specifications and resource implications of the Shared Functions, the terms of a revised inter-authority agreement for the operation of the three way Shared Digital service and a commencement date for the new model including the date for the TUPE transfer.
- 6.3 It is now clear that the three councils have different local priorities and approaches with regards to ICT and digital services. It is therefore no longer possible or practical to implement a shared service or 'light' model, as envisaged. This means that the proposed ICT and Digital Shared Service can no longer be implemented and it is necessary to revert to local operations at pace to maintain integrity of service.
- 6.4 Nonetheless, since we established the shared service in October 2016, a great deal has been achieved by working together. Shared technology and joint procurement projects will deliver annual cost reductions of £2.4m for the councils (£800k each). Shared Digital has also delivered significant improvements including better collaboration tools, facilities to support flexible working and to enable secure working on the move. These service improvements and savings will continue to deliver value to the Council.
- 6.5 The Inter Authority Agreement between the three councils stipulates a notice period to end the arrangement of 18 months. This can be varied by agreement. Following review and analysis it has been determined that the arrangement can, and should, be ended within 3 months; by the end of the 2018 calendar year. It is proposed that the shared service should be ended by 31 December 2018 and for local services to return to full operation on 1 January 2019; this

reduces the notice period by agreement and waives the 18-month required in the Inter Authority Agreement.

- 6.6 This means that the Council will no longer share services and retain a complete local digital and ICT function whilst potentially cooperating on some procurement activities and contracts, as we do on a range of services as a matter of course. Camden and Haringey may explore the potential for some joint working in the future.
- 6.7 Although there were clear advantages in a shared service, such as ensuring resilience and developing an attractive employment offer, Haringey will be able to mitigate these disadvantages as we develop our local service offer given we will now have a more singular focus.
- 6.8 This will require a pragmatic transition from the shared service. The transition will be undertaken at pace and will be incremental to facilitate a managed change for Haringey and its staff.
- 6.9 Officers and staff operating within Shared Digital remain employed by their original boroughs and are 'shared' under the terms of instructions issued pursuant to section 113 Local Government Act 1972. It is intended that the Council will rescind those instructions in tranches between October and 31 December 2018. The intention is to release officers and councils from their section 113 obligations at the earliest practical opportunity for that officer, such as where the impact on any business as usual IT service will be limited or non-existent. It is not anticipated that TUPE will apply.
- 6.10 Camden has acted as the hiring / engaging body for all agency workers / contractors / consultants for the last 18 months. Where such people are engaged solely in the operations of a single borough, early transfer of those contractors will be effected with Camden ceasing to be the 'employing' or 'managing' borough on transfer. TUPE will not apply, as the above individuals are not employees.
- 6.11 The Senior Leadership Team for Shared Digital (SDSLT) were appointed on the basis of the shared service being operational and an on-going service. Camden is the employing borough for all of those included in this group and consultation has already been held between those officers and management in Camden to consider the impact this change will have on them. It is anticipated that some of these roles will end by 31 December and others will be reviewed to identify if there is a requirement for them continue to support transitional arrangements. Employees impacted by these changes will continue to be supported through the organisational change process.

- 6.12 The Inter Authority Agreement between the boroughs confirms that any reasonable redundancy costs incurred – as a result of this change - will be met on an equal shares basis by the three boroughs. Whilst redundancy is not a necessary impact of this change, it is expected that should any occur it will not extend beyond those existing shared posts. No redundancies are anticipated for Haringey staff.
- 6.13 Camden, as the host authority for the shared service, has acted as the purchasing body for ICT and digital contracts for the three boroughs over the last 18 months. Work will be undertaken to ensure that, where appropriate, contracts are returned or novated to the respective boroughs. This will require some level of pragmatism, for instance, where a contract is due to end shortly after the implementation date of this change, it may be sensible to allow it to continue running. All renewals of existing, non-shared, contracts will be reverted to the appropriate borough with immediate effect.
- 6.14 A small number of contracts which remain shared and are delivering the savings set out for all three boroughs, will continue to be administered by Camden for their duration. Costs of this continued administration will be calculated and, where practical, shared. Any change to the current arrangements for these shared contracts will be deleterious to the savings that are achievable and this risk needs to be managed.
- 6.15 The three Directors of Finance have been tasked with ensuring a prompt closure of the positions in respect of the 2017/18 and 2018/19 finances, and to resolve any residual financial issues.
- 6.16 There are two principle risks that are particularly noteworthy:
- 6.16.1 Impact on staff is the highest factor for consideration and is being managed by careful communication and engagement by the current Shared Digital leadership with the workforce and Trades Unions. At all stages, we are aiming to deliver communications to local teams at the earliest opportunity. For most staff across the service, the impact will – in fact – be negligible as staff have been operating cross-borough under section 113 and so have remained employed by their original borough. There are also limited arrangements whereby we have integrated teams. As such, we will look to terminate all S113 arrangements by the 31 December 2018.
- 6.16.2 Impact of delay: All planning for transition from a shared service to local ICT and Digital teams is based on a conclusion at the end of the 2018 calendar year. Should this timeline be missed, the resultant impact would be to increase uncertainty, artificially extend management arrangements which, in effect, will already be unrealistic (i.e. boroughs are already planning projects and work on the basis that there will be no shared service).

6.17 Resource Implications:

6.17.1 From 2017/18, Shared Digital has been operating under a combined revenue budget, based on an agreed baseline funding requirement for the service. Under the terms of the Inter Authority Agreement, Haringey and Islington are required to contribute the agreed budgeted amounts to Camden with a settlement payment due at the end of each financial year to ensure that the full costs of the service are shared between the three partner authorities.

6.17.2 By discontinuing the shared service and moving back to a sovereign approach, the combined budget will revert back to the three individual councils. Work is currently being undertaken to unpick the current financial arrangements and to establish the process for managing the transition, including the calculation of the final settlement payment due to Camden.

6.18 Consultation / Engagement:

6.18.1 There has been regular engagement with relevant staff and Trades Union representatives.

6.19 Timetable for Implementation:

6.19.1 The following workstreams will be created under the management of a Transition Board – consisting of the Executive Director responsible for Corporate Services for Camden and Islington and the Director of Customers, Transformation and Resources for Haringey.

- 1) **People:** This strand will work through all matters related to people, roles and current agreements/statutory elements. As part of this, we will seek to work with staff to ensure that they are fully aware of the process and what this means for future local approaches.
- 2) **Finance:** This will finalise all outstanding financial matters, both in respect of the position up to 31 December and thereafter.
- 3) **Contracts:** We will need to disaggregate and determine return dates and methods for all non-shared contracts. As part of this, we will review all shared technologies and establish principles and controls for any contracts for shared technologies moving forward.
- 4) **Existing Projects (including ‘in flight’ procurement):** We will evaluate extant shared projects and to establish how these projects will be continued in the context of digital services being brought back under local control.

6.19.2 All workstreams will be instructed to complete their work, or to have agreements in place for any on-going 'shared' contracts etc. by the end of December 2018.

7. Contribution to strategic outcomes

7.1 These proposals will allow the Council to optimise the delivery of Digital and ICT services, supporting efficiency and digital service improvements to residents.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance

8.1.1 Having now completed the end of the financial cycle in the SDS, this has identified that the existing Haringey budgets for ICT (including those held corporately and at directorate level) amount to £12.6m, less than the £13.8m calculated to be available and transferrable at the inception of the new partnership.

8.1.2 In 2017/18 the costs to Haringey of services managed by SDS on our behalf under the agreement was £13.8m. In part anticipation of this, provision was made in 2017/18 for a further payment to Camden of £0.7m over and above the total ICT budgets held of £12.6m for that year. The further amount due of £0.5m can be funded by changing the financing arrangements of the desktop estate in 2018/19.

8.1.3 The 2018/19 financial position to the point of SDS cessation and any financial implications thereafter will be addressed via the combined work of the three finance directors and reported back to Cabinet in a later Corporate Financial Monitoring report.

8.1.4 There will be no redundancy costs as a result of this proposals, so no additional costs are envisaged.

8.2 Strategic Procurement

8.2.1 The report recommends the end of the Shared Digital Service and therefore the joint procurement of allied IT hardware, software and services. Future procurement will be the responsibility of Haringey and the Councillors should note that all related procurements will be undertaken in accordance with

8.2.2 It should be noted that some of the upcoming procurements may be Key Decisions but may not yet be on the Forward plan. Consideration should be given as to how these will be managed to ensure continuity of service. Procurement will consult with the Services and local IT to determine such instances.

8.3 Legal

8.3.1 The Assistant Director of Corporate Governance has been consulted on this report. Under the terms of the inter authority agreement between Camden, Islington and Haringey any party may withdraw from the agreement by giving the other parties 18 months written notice in advance or such notice period as otherwise agreed. It will therefore be necessary for all three parties to agree the final notification period in order for the shared service to end as anticipated on the 1 January 2019. The Agreement places an obligation on all parties to co-operate in terminating or novating any contractual arrangements and to use best endeavours to secure an amicable financial settlement. Any relevant termination provisions including those pertaining to the employees of the shared digital service who are directly impacted by the termination of the agreement will need to be observed by the parties.

8.3.2 The Councils should adhere to all the relevant legal processes when dealing with the employees who may be affected by the above termination, including the provision of notice and consultation. This will reduce the incidents of legal challenge for unfair/redundancy dismissal and breach of contract.

8.3.3 Further legal advice will be needed during the transition back to local service delivery, particularly with regards to contractual arrangements and any staffing matters.

8.4 Equality

8.4.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

- 8.4.2 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 8.4.3 The Council has undertaken an Equalities Impact Assessment and while this identifies that certain protected characteristics are over-represented among the workforce; the overall risk is low as the impact on staff is likely to be very limited. This is because the three boroughs have been operating cross-borough under s113 and so staff have remained employed by their original borough. There are also limited arrangements whereby we have integrated teams.
- 8.4.4 The Council is organising a number of engagement sessions with staff and the trade unions. These will continue to be held throughout the change process, providing the opportunity for staff to ask questions in both a group setting and on an individual basis.
- 8.4.5 Formal collective consultation meetings will also be held with the Trade Unions. Haringey's employee assistance programme is also available for staff to access free confidential counselling by telephone. HR and the Trade Unions will be involved throughout this process to answer any queries staff may have in relation to their personal circumstances or the overall process.
- 8.4.6 In implementing the undertakings of this document, the Council will continue to review and consider potential equality impacts, as part of the transition plan. This information will be shared with the Unions and all staff affected by this process.

9. Use of Appendices

- 9.1 Appendix 1: Equalities Impact Assessment