City of Westminster

Cabinet Report

Decision Maker:	Cabinet
Date:	7 September 2021
Classification:	General Release
Title:	Future of the IT service
Wards Affected:	All
Key Decision:	Yes
Financial Summary:	The Shared IT service within WCC has a gross revenue expenditure budget of £12.7m. There will be some additional financial implications from the disaggregation of the bi-borough service in the short term, but these will be contained within the Council's existing approved budget. It is envisaged that planned savings will still be met over the financial planning period.
Report of:	Chief Executive

1. Executive Summary

1.1. This report recommends that Cabinet agrees to the disaggregation of the bi-borough IT shared services between Westminster City Council (WCC) and the Royal Borough of Kensington and Chelsea (RBKC).

1.2. WCC and RBKC have operated a shared service for IT since 2017 when the previous shared service arrangement with the London Borough of Hammersmith and Fulham was brought to an end. A deemed agreement exists currently between these councils based on the former tri-borough agreement entered under Section 113 of the Local Government Act 1972 which allows councils to share staff.

1.3. The report seeks approval for the termination of this deemed agreement by

mutual consent and to delegate authority to the Chief Executive to take all actions and decisions such as are necessary or prudent to manage the transition to a sovereign IT service.

1.4. As part of ongoing measures to continually review effectiveness and efficiency, RBKC and WCC jointly commissioned a review of all the bi-borough shared services arrangements by PwC in July 2021.

1.5. Within this scope, PwC reviewed the IT bi-borough service in the context of recent history and differing future demands. The report on this (IT) component of the review was received in August 2021.

1.6. The review found that the service was benchmarked as high cost, that there were difficulties in meeting stakeholder expectations and disparities in the relationship between the IT service and each council whilst at the same time acknowledging committed teams and a very difficult context over the last two years and that improvements are required at pace if the IT service is to deliver on strategic objectives.

1.7. In contrast to the generally positive sentiment over the shared service partnership, both councils agree it is difficult to see a way forward together on IT. Therefore, officers have agreed that the best way forward is to withdraw from the current shared service model and create two sovereign services that will more effectively focus on the strategic, corporate and service objectives of each council. This is an opportunity to create a sector leading digital service benefiting our residents, businesses and communities.

1.8. Ending the current shared service arrangement in a planned and risk-based manner, will enable the council to create a newly defined and developed Digital and Innovation service combining IT services with our Customer Experience and Digital teams who will work alongside our Smart City, Digital Place and Digital Inclusion teams to deliver significant change for our customers in collaboration with service across the council.

2. Recommendations

It is recommended that Cabinet:

2.1. Agree that, in mutual agreement with RBKC, notice be given to terminate the deemed Section 113 Shared ICT Agreement.

2.2. Delegates authority to the Chief Executive to take all actions and decisions such as necessary or prudent to manage the transition to a sovereign IT service following consultation with the Cabinet Member for Finance and

Smart City.

3.   Reasons for Decision

3.1   In Westminster, we are working to create a world-class City for All. Central to achieving this vision is our ambitious Smart City agenda to make Westminster a global centre of innovation, using new technologies and innovative practices to make our services efficient and improve outcomes across education, care and other vital local public services.

3.2   The review undertaken by PwC recognises both councils' commitment to delivering significant change agendas over the next three years. It finds that the current model is unable to deliver to strategic ambitions, deliver transformational capability and provide value for money in performance:

- IT's role across both councils is narrow and is focused mainly on infrastructure, networks and existing application software. It has a limited role with regard to business applications strategy, enabling transformation and supporting in public-facing delivery, with duplication of activity, applications and resource in other directorates.

- Effective programme and project prioritisation is not in place and services find it hard to understand where and how their technology requirements are considered and factored into a plan and roadmap.

- Multiple approaches to resourcing are in evidence and are contributing to cost and complexity. The same resource is called upon for both 'run' and 'change' activities.

3.3   The council does not get the maximum value for its investment in IT. Every year the council currently spends approximately £12.7m of revenue operating the IT service and applications with an additional £4.6m of capital investment in 2021/22. For this level of investment, the council should be getting a sector leading IT capability.

3.4   The PwC review assessed three options for change to address the issues identified by the review and concluded that disaggregation offers the clearest route to support changing and differing strategic ambitions.

3.6   Within Westminster we have big ambitions, which can be met through a newly defined and developed Digital and Innovation service. The service will combine IT services with our Customer Experience and Digital teams who will work alongside our Smart City, Digital Place and Digital Inclusion teams to deliver significant change for our customers in collaboration with service across the council. A new service, with the capacity, capability and right culture in place, will truly enable us to deliver a City for All.

4.   Background, including Policy Context

4.1   PwC was jointly commissioned by both councils in Summer 2021 to review the shared IT service. The purpose of the review was to provide a holistic picture of the current state of the service and recommendations on its future direction.

4.2   The review considered four factors:

- Baseline – facts and figures of the service including head count and costs
- Business view – insights from services on IT's strengths and challenges
- Capability review – analysis of the relative maturity of capabilities provided by IT
- Forward review – consideration of options and recommendations for transformation and change in the future

4.3   The review identified substantial challenges including differing strategic ambitions and disparities across the service, and significant areas of improvement around prioritisation and performance.

4.4.   Three options were assessed to address these issues. These were:

- Do nothing
- Improve the IT shared service
- Disaggregate the IT shared service

4.5   Each of these options was assessed against six criteria – strategic fit, benefits, risk, ease of implementation, delivery at pace, capacity and capability to deliver. The review concluded that disaggregation is the recommended option for change as it offers the clearest route to support changing and differing strategic ambitions.

4.6   The review further identified that defining and resourcing a clear programme plan which takes account of the co-managed infrastructure, jointly used applications, and shared contracts and services as well as resolving legacy HR arrangements and building new teams will be critical to safely transitioning to a new sovereign service.

4.7   These factors have been considered in determining the approach to safely de-coupling the service whilst enabling the key business priorities of each council.

4.8   The current service is large and complex and consequently the approach to de-coupling will be designed to enable safe transitioning of the existing bi-borough service to a sovereign service, whilst providing a flexible mechanism for identifying those elements that could be accelerated appropriately as required.

4.9   The detailed planning required to implement this approach will be overseen by the Bi-Borough IT Review Programme and governed by the Bi-Borough IT Review Steering Committee which will be set up. The recommended transition approach is based on an industry standard model for changing the sourcing model of an IT service.

5.   Financial Implications

5.1   The financial implications of disaggregation will not be completely clear until due diligence work is complete. A one-off cost of disaggregation is anticipated, with a potential short-term uplift in cost after which there should be a medium term reduction in overall costs of service and improvements in efficiencies and value. It is expected that these implementation and transition costs will be contained within existing approved budgets. The costs will be fully quantified over the detailed planning phase of disaggregation.

5.2   The Shared IT service within WCC is a gross expenditure budget of £12.7m (comprising £6.1m staffing budget and £6.6m third party spend as per the PwC Shared Service Report August 2021).

	Total	WCC	RBKC
Headcount / FTE [1]	179	98	81
Staffing budget	11.1m	6.1m	5.0m
Equally funded posts	77	38.5	38.5
Fully or majority funded posts [2]	92	49	43
Service funded posts [3]	10	10	-
Third party spend [4]	9.9m	6.6m	3.3m
Capital project spend	7.2m	4.6m	2.6m

[1] excluding true vacancies.
[2] fully or majority funded if >51% of the budget is provided by one council.
[3] Posts funded by services, including 4 by the WCC CED team.
[4] Including service provision and other third party costs e.g. licensing. The contribution from H&F on some remaining tri-borough contracts accounts for £0.8m and it has been excluded. See slide 28 for a more detailed breakdown.

Source PwC Review of Shared Service Report August 2021

5.3   MTFP savings approved in the March 2021 budget report outlined £500k to 2023/24 which are expected still to be delivered over the financial planning period, although this will need to be reprofiled as the service disaggregation progresses and this will be incorporated in the Council's budget report.

5.4   There is currently an approved capital budget of £4.6m for 2021/22. The overall capital investment provision will be reviewed as part of the Council's annual financial planning process.

6. Legal Implications

6.1. In March 2018 the Tri-Borough Shared ICT services between RBKC, WCC and Hammersmith and Fulham were terminated along with other Tri-Borough shared services. However, despite attempts to finalise it, no Bi-Borough Shared IT Services related Section 113 agreement was signed or is in place. In the circumstances, the Bi-Borough shared IT services have continued in good faith based on the terms and conditions of the previous Tri-Borough Section 113 Agreement (minus the LBHF related terms).

6.2 The Tri-Borough Section 113 agreement for ICT services had a termination provision of a notice of 12 months for termination without cause by any party. This 12 month termination notice period can be shortened by mutual agreement between the two Councils and adapted to be co-terminus with any proposed exit arrangements. It is recommended that notice terminating the shared IT services is given once the transition timetable and details have been agreed with RBKC.

7. Staffing Implications

7.1 The proposed recommendation to disaggregate the Shared IT service under two sovereign teams will require the development of new operating models for both councils. Early engagement work has started with both employee groups and the Unions to help shape the future operating model, and this consultation and engagement will continue throughout the reorganisation process.

7.2 The disaggregation will be managed in line with the agreed Section 113 HR Working Protocol and Westminster's Organisational Change Policy and HR processes. A full assessment of the impacts of the proposals will be completed including an assessment to mitigate the risks to the continuity of service delivery. An initial Equality Impact Assessment has been completed and will be reviewed and updated as the proposals develop.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Aruj Haider ahaider@westminster.gov.uk

APPENDIX

- Private Appendix - Executive Summary of PWC Review of the IT Shared Service Final Report

BACKGROUND PAPERS

- Equalities Impact Assessment