

REPORT TO CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE

**PORTFOLIO AREA: Learning & Development
Finance & Performance Management**

Corporate Resources O & S

Date of Meeting: Wednesday 11 February 2009

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework Yes

Title: ICT Security Policy

Report of: Director of Corporate Services

Report reference: CORP77/08 – ICT Shared Service Update

Summary:

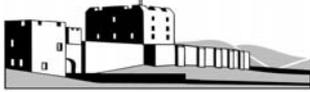
As outlined in the Forward Plan, this report is presented to Corporate Resources Overview and Scrutiny committee for scrutiny. The report provides a further update on Phase 2 of the implementation of the Allerdale/Carlisle ICT shared service. It provides information on a number of issues which were raised when the report was initially considered. The Executive will be meeting on 16th February to review the report again and consider any comments made by this committee.

Recommendations:

- 1) The Corporate Resources Overview and Scrutiny Committee are asked, after scrutinising the ICT Shared Service details, to make such comments back to the Executive as they feel appropriate.

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REPORT TO EXECUTIVE

PORTFOLIO AREA: LEARNING AND DEVELOPMENT

FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: 19TH January 2009

Meeting:

Public

Key Decision: YES

Recorded in Forward

YES

Decision:

Plan:

Inside Policy Framework

Title: ICT Shared Service Update

Report of: Director of Corporate Services

Report reference: CORP77/08

Summary:

This report provides a further update on Phase 2 of the implementation of the Allerdale/Carlisle ICT shared service. The ICT Shared Service business case was approved by the Allerdale Executive on 6th August 2008 and by the Carlisle Executive on 26th August 2008. Report Corp42/08 was subsequently presented to Council on 9th September 2008 where questions were raised over a number of outstanding issues at that time. This report provides information on how the above issues have been, or are being addressed, and updates members on funding issues associated with potential employee termination costs.

Recommendations:

- 1) The Executive are asked to note the progress made so far in establishing the Allerdale/Carlisle ICT Shared Service and the plans for the introduction of the new service from 1st April 2009; and to specifically approve :
 - i) That relevant Directors are authorised to finalise the detailed contractual agreement between the Council's and thereafter complete the said contract with a view to the ICT shared service being implemented on 1st April 2009.

- ii) The recommended employing authority arrangements.
- iii) That existing terms and conditions of staff will need to be protected in line with the protection given to staff under current Council policies.
- iv) The recommended organisational structure shown at Appendix C.
- v) The principle of a standard change management process for ICT shared services with the detail left for agreement to the Project Board in consultation with trade unions.
- vi) That any additional redundancy/employment termination cost which may be required up to a limit of £66,000 be met from the residual shared service and efficiency review budget and existing base budgets.
- vii) That officers be authorised to proceed with the final stages of all other aspects of the implementation process including the making of appointments to the new structure.

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Carlisle City Council

To: The Executive

CORP77/08

Carlisle and Allerdale ICT Shared Services Update

1. BACKGROUND INFORMATION

1.1) "The Carlisle and Allerdale Shared ICT Service Business Case" was approved by both Allerdale Borough Council at its Executive meeting held on 6th August 2008 and by Carlisle City Council at the Executive meeting held on 26th August 2008. In respect of the City Council, report CORP 42/08 was then referred to full Council on 9th September 2008 outlining decisions taken by the Executive concerning the establishment of a joint ICT service with Allerdale and a supplementary estimate of £49,000 for 2008/09 was approved to facilitate the ongoing implementation process.

1.2) Within paragraph 4.9 of report CORP 42/08, a number of outstanding issues were identified and in response to questions raised on the approval process for agreement of these outstanding issues, it was agreed that a further report would be issued for the consideration of the Executive.

1.3) This report provides information on how the outstanding issues identified within CORP 42/08 have been, or are being addressed, and also updates members on funding issues associated with potential employee termination costs.

2) OUTSTANDING ISSUES

2.1) Governance Arrangements.

2.1.1) Carlisle City Council and Allerdale Borough Council are currently having detailed discussions regarding the provision of shared services. Whilst there may be others in the future, the first service earmarked for joint provision is ICT.

2.1.2) In any scenario it is envisaged that one of the two councils will be chosen as the employing authority (such authority may be one or the other for any particular service depending on which is most appropriate at the time) and the relevant staff will transfer to the employing authority. In relation to ICT the employing authority is recommended to be Allerdale Borough Council (see paragraph 2.2). A schematic diagram is shown at **Appendix A** which outlines the proposed structure and reporting arrangements. Under such a structure

the ICT Joint Strategic Board and the Joint Operations Board would work as follows:

- **ICT Joint Strategic Board** A joint member panel would be established which would include the appropriate portfolio holder from both Authorities. The Board would not have any specific delegated powers. Its purpose is to ensure member engagement at a senior level from both Councils.

- **Joint Operations Board** The operational direction of the Shared ICT service will be managed by a single overall Operational ICT steering board that will comprise membership of the relevant Directors for both organisations, supported by appropriate Finance, HR and other resources as required.

This board will be responsible for dictating the overall direction and focus of the shared ICT service under the overall guidance of the ICT strategy which will be approved by both Councils. This will include risk allocation, financial matters, operational matters and overall programme control and making recommendations where appropriate.

Currently it is envisaged that responsibility for chairing and leading the joint operations board will rotate between Directors, and hence Councils, on an annual basis. It should be noted that if the wider proposals for bringing Carlisle and Allerdale services together are approved, there will be one joint Director for both authorities.

To ensure flexibility and responsiveness for the service, The Head of ICT will be granted delegated powers, within agreed budgets and policies, to act in the best interests of the service and its users.

2.1.3) Work is ongoing to finalise the governance arrangements and the final agreement will be dependent upon the over-arching management arrangements which are currently under consideration (the Serco report).

2.1.4) The Councils require an agreement between the two parties setting out the parties, partnership aspirations, governance arrangements, term, extension, dispute resolution, general exit arrangements, audit arrangements, confidentiality, variations etc. As a schedule to the document there will be appended a template 'agreement' for individual shared services. In the first instance, this would be used for ICT services but it is envisaged that this could be the same template for future services which may be shared. This template

would need to set out relevant matters, i.e. which council was the employing authority, contributions, service specific exit arrangements, incorporate all of the terms of the overarching agreement etc. The template would also cover budgetary review and performance targets. The two councils will enter into an individual template agreement for each specific service earmarked for sharing.

2.1.5) It should be noted that particular emphasis needs to be focused on specific exit arrangements given the difficulties, costs, timescales and practical issues associated with having to unravel the agreement.

2.1.6) Tenders for the drafting of the above agreements were sought from two experienced law firms. These have been analysed and one of the firms will be instructed during the course of the week ending 19 December 2008. Work will take place in January and February of 2009 on the agreements to the satisfaction of both Councils.

2.1.7) It is recommended that members note the action taken to date and authorise the relevant Directors to finalise the detailed contractual agreement between the Council's and thereafter complete the said contract with a view to the ICT shared service being implemented on 1st April 2009.

2.2) Employing Authority Status

2.2.1) The project board have considered in detail the factors that need to be considered to reach a recommendation on whether either Allerdale or Carlisle acts as the employing authority for the new IT shared service. The following set of criteria were developed for this purpose and both Authorities were evaluated against these criteria by the project board:

- Costs
- Staff terms and Conditions
- Employment issues
- Desire to take on the role
- Authority has capacity for extra responsibility
- Employee numbers affected
- Location and accommodation issues
- Industrial relations
- Previous change management exercises

2.2.2) Each Authority was scored accordingly and the evaluation exercise reflected scores of 46.5 to Allerdale and 43.5 to Carlisle. However, broadly speaking, both Council's were capable of taking on Employing Authority status. The main deciding factor was deemed to be the current issue of workload within the Personnel Section at Carlisle which would not enable the project to meet existing timescales. On this basis the project board recommends that Allerdale becomes the employing authority for the new shared IT service from 1st April 2009.

2.2.3) On the basis of the results of the above evaluation exercise, it is recommended that Allerdale Borough Council are designated as the Employing Authority for the North Cumbria Shared ICT Service, but each Council will jointly manage and direct the service whilst retaining autonomy over its own ICT policies and needs.

2.3) Recharge Administration

2.3.1) Subject to approval of the Project Board's recommendation on the issue of Employing Authority Status, Allerdale Borough Council would from 1/4/09, take on board full responsibility for the financial administration of the shared ICT service. The City Council's agreed contribution to the shared service would then be paid over to Allerdale quarterly in arrears.

2.3.2) In respect of the current level of internal City Council recharges (i.e. for the inward support service costs absorbed by ICT and the overall outward cost allocation to service users), it has been agreed that for 2009/10 the existing 2008/09 figures, updated by inflation will be utilised. A review of recharges will be incorporated as part of the 2009/10 service plan and will be carried out in light of any wider implications emanating from the emerging shared service initiatives.

2.4) The impact of job evaluation.

2.4.1) It will be the responsibility of the employing authority to undertake job evaluation for all the employees of the new ICT shared service. On the assumption that approval is given to the recommendation for Allerdale to undertake the role of employing authority, a job evaluation exercise will be undertaken by Allerdale HR for all the staff of the new shared service. This job evaluation exercise would commence in January and be completed prior to staff being assimilated into new roles.

2.5) HR aspects covering the transfer of staff

2.5.1) It is important to establish the correct legal procedures for the transfer of staff from their current employer to the employing authority. Counsel's opinion is currently being sought to establish a correct approach to this specifically in relation to the application of TUPE regulations to those staff transferred to the new employing authority. Depending upon the legal opinion, it is anticipated that either full TUPE in accordance with the legal regulations will apply, or an equivalent treatment affording those staff affected by the transfer with the same protection will be applied.

2.5.2) The employing authority will be responsible for job evaluation (as above) as well as the subsequent restructuring process and transition to new service and Terms and Conditions. The H.R. Working Group is currently looking in detail at the harmonisation of terms and conditions and this will be the subject of a further subsequent report.

2.5.3) In the case of existing Carlisle City Council employees, Members need to acknowledge that all terms and conditions would need to be protected for a period. The Project Board are initially suggesting 12 months from 1/4/09 but this would need to be linked in conjunction with any further developments on the proposed revised management arrangements between the two Authorities or any outcomes of job evaluation deliberations so that ICT staff are treated the same as all other employees.

2.5.4) Approval is therefore recommended that the existing terms and conditions of staff will need to be protected in line with the protection given to staff under the "Serco" recommendations and job evaluation.

2.6 An exit strategy

2.6.1) The inter-council service contract referred to at paragraph 2.1.3 above will provide for a number of events and circumstances, including processes for exiting from the contract either prematurely or naturally at its termination date or conversely extending the contract beyond the initial term. It should however be acknowledged that once the new arrangement commences, it would be difficult to "unravel"

2.7) Further work on independent verification of the proposed capital investment.

2.7.1) Following external verification by Aperia of the original and revised business case and their recommendation that further specialist advice be sought on proposed capital investment, SOCITM were engaged to review the the adequacy of the suggested programme and they verified the validity of the programme in terms of meeting the ambitions of the shared service.

2.7.2) It should be noted that any capital investment for delivery of ICT services will need to be justified and approved via a business case proposal being presented in the usual way. If any proposal requires verification it will be processed in accordance with laid down procedures.

2.8) Organisational structure and management

2.8.1) The Project Board has considered the organisational structure and management that will best support the delivery of the new IT shared service. The original business case outlined a structure as to how the teams could look. However, more in-depth work including an external consultant's view (SOCITM) and visits to Xentrall, a shared ICT service set up recently by Stockton and Darlington Councils highlighted that the organisation structure was missing analysis and support for transformational change.

2.8.2) Both Allerdale and Carlisle's IT management teams have worked together to review the original structure identified within the business case. All the functions that the new ICT shared service would need to undertake were mapped out and two logical areas emerged, rather than the three originally put forward in the business case. These are:

- Operational services (Service Support and Infrastructure)
- Business Development Services (Business Development and Business Applications)

2.8.3) The new proposed structure, which is shown at Appendix C, is based upon a 'Matrix Management' approach. This means that there can be a flexible pool of staff who can be deployed across the shared service to meet the needs of the business change. Matrix management brings benefits for the staff - a varied workload, improved knowledge and skills and better potential career progression. It will also bring benefits to the councils such as moving staff resources to satisfy ever changing demands, providing a more flexible

service and improved communications between ICT teams. All ICT staff in the shared service will have a defined 'home area' as well as generic job descriptions, which will cover all levels within the department.

2.8.4) The ICT Shared Service Project Board has proposed a four-team model, incorporating matrix management approach as the preferred structure for the Shared ICT Service. The four teams are:

- Service Support
- Infrastructure Services
- Business Development
- Business Applications

2.8.5) The structure has four levels of officers below management:

Level 4 – Project lead/functional lead /supervisory roles.

Level 3 – Senior Support Officer/ Senior Application Developer/ Senior Infrastructure Officer roles.

Level 2 – Support Officer/Application Developer/Infrastructure roles.

Level 1 – IT Administrator/Junior Officer roles.

2.8.6) This model was chosen because:

- It lends itself to matrix management
- It has a clear focus on business development
- Team sizes are manageable
- More 'doing' staff, manager remains hands on as now
- ICT Management teams have a high degree of confidence that this structure will work well and will improve the service
- It retains ICT management expertise within the service

2.8.7) It is recommended that the organisational structure shown at Appendix C is approved.

2.9) Staff Consultation

2.91) The proposed new organisational structure and matrix management approach was opened to staff consultation following a briefing to all affected staff from both councils on 3rd December. This consultation runs to 9th January. Draft job descriptions for all staff in the new ICT shared service have been made available to staff and staff consultation on these documents runs through to 16th January 2009.

2.9.2) Full consultation with staff and trade unions will continue to take place throughout the project as appropriate.

2.10) Change Management.

2.10.1) At the current time, each Authority has a differing method of dealing with change. At Carlisle City Council an "Assimilation Process" is utilised whilst at Allerdale, there is a "Management of Change Process". The HR Working Group have strongly recommended that a standard process is drawn up and adopted initially for use on shared ICT and this principle has already been agreed with trade unions. Work has already been initiated toward this end and a draft proposal is shown at Appendix B

2.10.2) It is recommended that the principle of a standard change management process is approved with the detail left for agreement to the Project Board in consultation with trade unions.

3) 2008/09 and 2009/10 FUNDING ARRANGEMENTS

3.1) As previously indicated, report CORP 42/08 was considered by Council on 9th September and a supplementary estimate of £49,000 was approved.

3.2) This request was based upon the City Council's potential 50% share of any redundancy, augmentation and pension strain costs emanating from the departure of an officer post prior the end of the current financial year. The figure was based upon the average termination costs of two officers who would be effectively ring-fenced for one particular post, the average cost being £98,000 which would equate to £49,000 for each Authority.

3.3) The major cost elements relating to pension related charges which were calculated and issued to this Authority by Capita who administer the Cumbria Superannuation scheme. These figures have recently been amended by Capita following the discovery of an erroneous calculation. The revised figures

reflect the average cost being £117,500 which would equate to £58,750 for each Authority.

3.4) However, based upon the revised figures supplied by Capita, the maximum cost falling to be met by the City Council in 2008/09 could be £115,000. Taking into account the £49,000 supplementary estimate already approved, there is a potential shortfall of £66,000. If required, £51,600 of the shortfall could be funded from the current residual sum available from the £100,000 set aside in 2008/09 for shared service improvement and efficiency reviews. The remaining £14,400 could then be funded from existing base budgets.

3.5) In respect of termination costs for 2009/10, a sum of £260,000 was incorporated into the Business case with each Authority contributing an estimated sum of £130,000. Again, Capita have recently upwardly revised figures for pension augmentation costs for some other members staff in ICT and a result potential costs identified in the Business case may increase. As actual staff affected by proposed restructuring in Year 2 continue to be unknown at this stage, it is not possible to give definitive termination cost figures. Regardless however, of which members of staff leave or stay with the shared service as a result of the re-organisation process, there will be significant revenue and capital savings over the 6 year period as a result of the introduction of a combined operation.

3.6) It is recommended that approval for any additional redundancy costs which may be required in 2008/09 up to a limit of £66,000 be met from the residual shared services and efficiencies review budget and existing base budgets.

4) DECISION MAKING PROCESS.

4.1) At Allerdale Borough Council, the Head of IT and the relevant Portfolio holder will provide an update to relevant members of Corporate Overview and Scrutiny on 9th January 2009. A report will then be presented to Allerdale's Executive on 14th January 2009 and will finally be considered by full Council on 28th January 2009.

4.2) In respect of Carlisle City Council, following consideration of this report today, the Executive will refer the report with any amendments to Corporate Overview and Scrutiny on 11th February 2009. The Executive will then give reconsideration to the report on 16th February 2009.

4.3) From 16th February 2009, it is therefore envisaged that full approval will have been given by both authorities and appointments to the new structure can be made.

5. RECOMMENDATIONS

5.1 The Executive are asked to note the progress made so far in establishing the Allerdale/Carlisle ICT Shared Service and the plans for the introduction of the new service from 1st April 2009; and to specifically approve:

- i) That relevant Directors are authorised to finalise the detailed contractual agreement between the Council's and thereafter complete the said contract with a view to the ICT shared service being implemented on 1st April 2009.
- ii) The recommended employing authority arrangements.
- iii) That existing terms and conditions of staff will need to be protected in line with the protection given to staff under current Council policies.
- iv) The recommended organisational structure shown at Appendix C.
- v) The principle of a standard change management process for ICT shared services with the detail left for agreement to the Project Board in consultation with trade unions.
- vi) That any additional redundancy/termination costs which may be required in 2008/09 up to a limit of £66,000 be met from the residual shared service and efficiency review budget and existing base budgets.

- vii) That officers be authorised to proceed with the final stages of all other aspects the implementation process including making appointments to the new structure.

5. REASONS FOR RECOMMENDATIONS

5.1) Approval of the recommendations is required to meet the necessary requirements for the successful implementation and commencement of an improved ICT service at a lower overall cost to both Councils.

IMPLICATIONS

- **Staffing/Resources** –
Addressed within the business case
- **Financial** –
Addressed within the original business case and within this report in Section 3.
- **Legal** –
The Head of Legal Services has been involved in the production of this report and is the shared service work package leader for Legal and Governance issues.
- **Corporate** –
S.M.T have been consulted and concur with the recommendations.
- **Risk Management** –
Addressed within the business case and considered on an ongoing basis by the Project Board.
- **Equality Issues** –
None
- **Environmental** –
The proposed ICT capital investment in certain areas will result in a measurable energy saving. This has been identified and incorporated into the business case.
- **Crime and Disorder** –
None

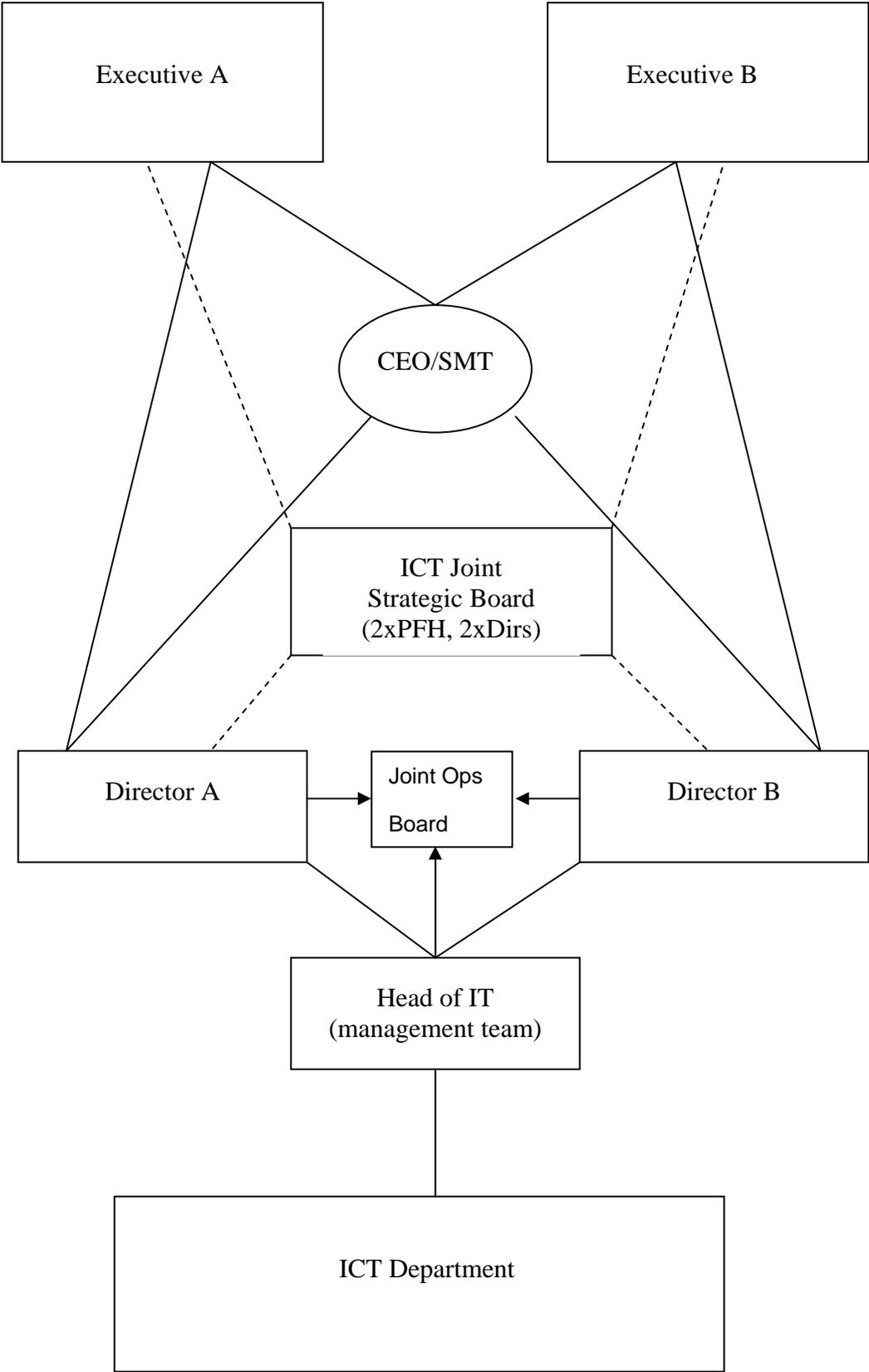
- **Impact on Customers –**
Improved Service envisaged, albeit it is recognised that there may be an inevitable short term drop in performance whilst the new services is being set up.

ANGELA BROWN
Director of Corporate Services
And
Joint Project Sponsor of the ICT Shared Services Board

Contact Officer: Mike Thompson

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Alternative Proposal (as per current scenario)¹



¹ The Serco structure would have one Director of Finance as opposed to Director A & B

Joint Approach to Managing Change

Aim:

To move Allerdale and Carlisle City Council ICT employees into the new Shared Service Structure in an equitable and fair way with the least disruption to the ICT Service Delivery

Assimilation Procedure:

A The process of job matching / slotting in / ring fencing is undertaken through a job Matching / redeployment panel. The purpose of the panel is to match current ICT employees to the proposed organisational structure. The panel will consist of:

1. 2 TU representatives (one from each locality)
2. ICT Shared Services Manager or nominated deputy
3. HR Representatives (i.e. one from each locality)
4. The employees will be informed in writing of the decision of the panel.

The panel will consider if there is a “sufficient match” to justify the “slotting in” or “right to ring fenced” selection. This will be determined by the job being between 50% and 70% plus (still to be determined within reference to employing authority policy and trade union agreement).

B Slotting in / ring fenced:

Criteria are based on the following key functional areas:

1. Analysis of task and duties of the post
2. Financial responsibilities
3. Supervisory responsibilities
4. Meeting person specification requirements including related experience
5. Level in current departmental structure

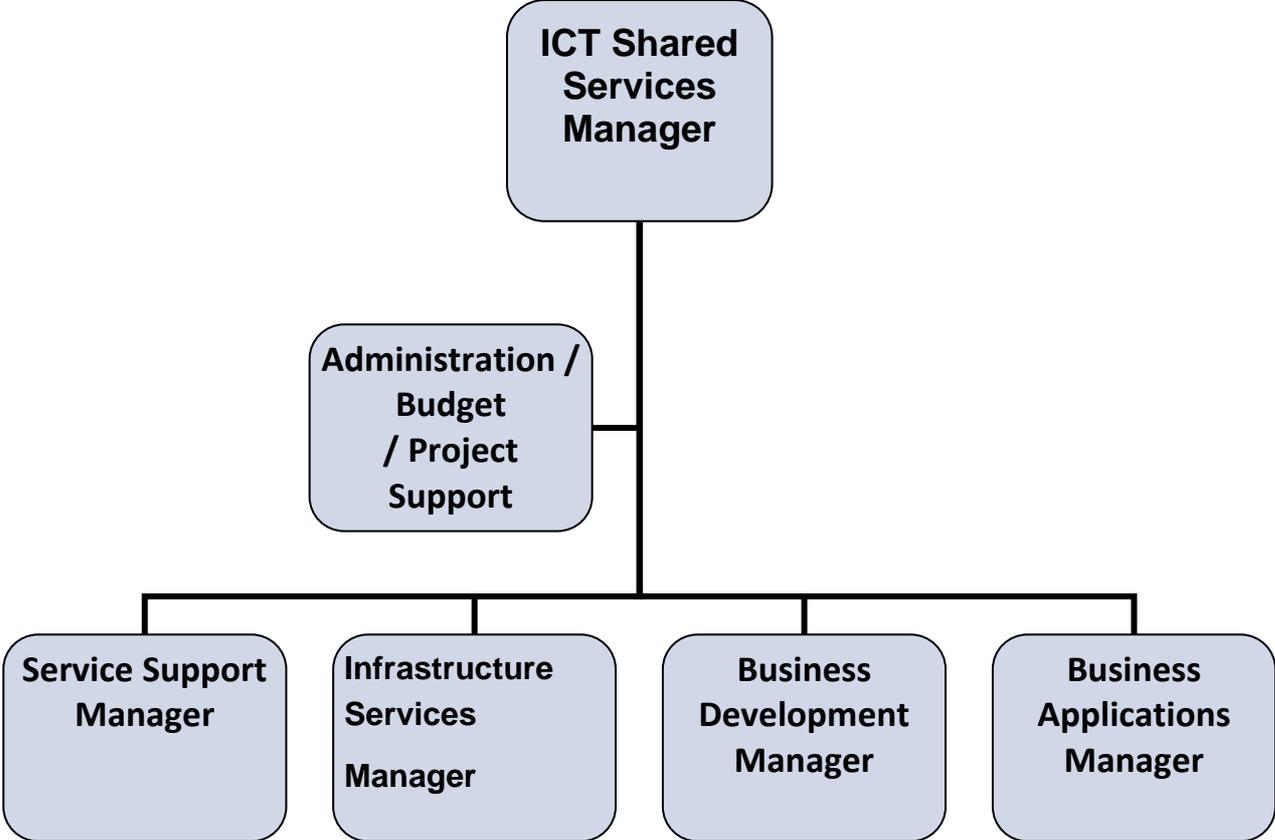
C Appeal

Right of Appeal against the decision of the panel to “slot in” or “ring fence” to be logged within 10 days of decision notification to employees

D Review

This assimilation procedure will be reviewed to ensure effectiveness

PROPOSED ORGANISATIONAL STRUCTURE



Role	Number of Posts
Manager	5
Level 4	6
Level 3	6
Level 2	10
Level 1	5
Totals	32