

LONDON BOROUGH OF CAMDEN	WARDS ALL
REPORT TITLE Camden and Islington ICT Shared Service Programme (FIN/2015/19)	
REPORT OF Cabinet Member for Finance and Technology Policy	
FOR SUBMISSION TO Resources and Corporate Performance Scrutiny Committee Cabinet	DATE 8 September 2015 9 September 2015
<p>SUMMARY OF REPORT</p> <p>In March 2015, Camden and Islington councils commissioned SOCITM (the Society of Information Technology Management) to carry out a high-level assessment of the ICT services in both organisations and to consider the possibility of establishing a shared service.</p> <p>Following the review, SOCITM found a clear alignment in the strategic direction of both councils and the outcomes required from their respective ICT functions to deliver change and support future savings plans within their organisations.</p> <p>This report sets out the outline business case and seeks approval for the creation of a shared ICT and Digital service in Camden and Islington to formally commence in April 2016.</p> <p>This report is coming to Cabinet for approval for the creation of a joint ICT shared service with Islington.</p> <p>Local Government Act 1972 – Access to Information No documents required to be listed were used in the writing of this report.</p> <p>Contact Officer Jon Rowney, Deputy Director of Finance, telephone 020 7974 6960, email jon.rowney@camden.gov.uk</p>	
<p>WHAT DECISIONS ARE BEING ASKED FOR?</p> <p>The Resources and Corporate Performance Scrutiny Committee is asked to consider the report and refer any comments to the Cabinet</p> <p>The Cabinet is asked to:</p> <ol style="list-style-type: none"> a) Agree to establish a shared ICT and Digital service between Camden and Islington, b) Agree that a joint committee be established to oversee the shared service with a longer term option to move towards a more commercial governance arrangement and operating model; c) Note that the Leader, subject to the Cabinet agreeing the above, will in consultation with the Cabinet Member for Finance and Technology, make any further decisions required (and makes any appropriate delegations to officers) as to the terms of reference and operation of the Joint Committee and agreements between the Councils required to underpin the arrangements. 	

- d) Agree a total cost-of-change budget of a maximum of £5m to support the transition of which Camden's maximum contribution will be £2.5m;
- e) Agree that the starting assumption should be that costs and savings for the core service offering will be shared on an equal basis between the two boroughs and that any variation to this shall be agreed by the Director of Finance as set out in paragraphs 4.14 and 4.15.

Signed: Mike O'Donnell

Date: 27 August 2015

1. WHAT IS THIS REPORT ABOUT?

- 1.0 In March 2015, Camden and Islington councils commissioned SOCITM (the Society of Information Technology Management) to carry out a high level review of the ICT services in both organisations and to consider the possibility of establishing a shared service.
- 1.1 The SOCITM review found a clear alignment in the strategic direction of both councils regarding the outcomes required from the respective ICT functions to deliver change and support future savings plans within their organisations.
- 1.2 SOCITM made three principal recommendations, namely:
- The creation of a shared digital service across both Councils to deliver shared priorities, save money and enable transformation,
 - The shared service is governed by a Joint Committee or a Wholly-Owned Legal entity (e.g. Company Limited by Guarantee),
 - The change must be underpinned by structural changes in IT and by culture change.
- 1.3 This report includes a range of proposals that will create an integrated ICT service to provide an ICT and digital service to both organisations. These proposals are designed to deliver a savings target of £4m per annum once fully operational with one-off, project investment costs of £5m.
- 1.4 This report seeks approval for officers of both Camden and Islington to establish a shared ICT and Digital service from 1 April 2016. It also outlines the steps that must be taken in the meantime to prepare for the service to go live on that date.

2. WHY IS THIS REPORT NECESSARY?

- 2.1 Officers in both Camden and Islington have been considering the future of their respective ICT and digital services, and in particular, the potential to share arrangements. In shaping this work, SOCITM and officers from both Camden and Islington agreed three overarching objectives:
1. Delivering value for money and cashable financial savings,
 2. Consolidating the expertise and best practice from both ICT services into one integrated and high-performing service, and
 3. Creating a public service structure that is resilient and is able to better withstand market conditions from both local government and beyond.
- 2.2 This review included a wide-ranging engagement and data collection exercise by SOCITM, including:
- Engagement with the senior stakeholders in both Councils,
 - Engagement with the IT / Digital Leadership Teams in both Councils,
 - A review of the relevant revenue and capital spend in both Councils,
 - A review of the technology and information architecture of both Councils, and
 - A review of key documents (such as the Digital Strategies) of both Councils.

3. OPTIONS

- 3.1 Officers from both Camden and Islington have carefully considered the underlying business case. It is felt that there is a sufficient level of benefit – both financial and otherwise – to recommend the creation of a shared service. The paper explains that whilst one form of shared service is being offered, other options are available. Should Cabinet decide that a shared service should not go ahead either in the form recommended or at all, both organisations will need to continue to deliver individual services.

4. WHAT ARE THE REASONS FOR THE RECOMMENDED DECISIONS?

4.1 Review Findings: Shared risks and challenges

In thinking about the future of ICT and digital services in Camden and Islington, the Review found a number of common risks and challenges to both Councils. These included:

- **Government cuts:** The funding outlook for local authorities following the General Election in May remains very challenging. Although a detailed understanding of the medium-term financial implications will not emerge until the Comprehensive Spending Review (November 2015), it is highly likely that funding for local government will continue to fall and that both Councils will remain under intense pressure to reduce their expenditure over the medium term. Both Councils have estimated that they will need to deliver a combined savings total of £185 million by 2018/19.
- **The role of Digital in the Transformation Agenda:** In response to the challenging financial environment, the financial strategies of both organisations have been to prioritise a more transformative approach, avoiding short-term 'salami-slicing'. The use of ICT and further digital innovation is seen as a critical enabler for transformational change throughout both organisations. It is, therefore, critical that both organisations have a high quality, responsive and resilient ICT service.
- **Employment Market:** Both ICT Services are operating in a highly competitive market with a shortage of high-quality ICT staff. Given the skills set required, both organisations are competing with employers from both the public and private sector and have ongoing difficulties in recruitment and retention. Looking ahead, this represents a significant risk to future service delivery.

4.2 Review Findings: Opportunities

At the same time, the Review undertook to identify where there may be opportunities that align with the three high level objectives cited above. Some of the opportunities and benefits from a shared arrangement include:

- **Financial Savings:** Any arrangement would be expected to deliver cashable savings of £4m per annum. Further detail is provided in paragraph 4.4 below.
- **Enriched Serviced Delivery:** There is significant commonality in the priorities and objectives of each Council that are critical to delivering synergies and sharing. These opportunities include improving customer access (e.g. mobile-first website), enabling staff on a mobile basis (e.g. through digitisation of

paperwork), joining up services (e.g. a single view of the customer) to deliver multi-disciplinary teams as well as freeing up resources & targeting them effectively (e.g. through use of analytics and business intelligence).

- **Sharing Best Practice and Learning:** Both Councils have complementary best practices that when consolidated could create additional value over and above that of continuing to work in isolation. For example, Camden has a strong business relationship model in place while Islington has good foundations for scaling up products and services through its enterprise architecture function. Equally, both Councils have strong infrastructure and application teams that could be synergised to deliver efficiencies and also improve service resilience.
- **An enriched and rewarding working environment:** The creation of a shared service would also provide staff with the opportunity to work in an integrated way across two large organisations. This would create a greater range of career and work development opportunities. It would also open up the potential, in the medium term, for local apprenticeships and links to educational establishments. It is hoped that this strategy would help to manage the current risks around recruitment and retention and ensure that the two organisations benefit from a wider and deeper talent pool of staff.

4.3 In addition to the opportunities cited above, the Review also identified a series of benefits that could be delivered in the short to medium term. These include:

- **Simplifying security** arrangements across both Councils to make it easier to access systems remotely, supporting flexible and integrated working,
- **Accelerate the integration of support** for systems and infrastructure (e.g. single helpdesk, shared networks and datacentres) to deliver more immediate financial savings, improve knowledge sharing and reduce dependency on agency staff,
- **Share the Islington approach to common standards** and policies for systems to spearhead the integration of digital platforms and support information sharing,
- **Centralise Digital Services** into a Business partner model to strengthen the management of digital services corporately, whilst enhancing business engagement,
- The potential to **accelerate the implementation of digital platforms** that are being successfully used in one Borough – but not yet available in the other - to deliver savings and transformation.

4.4 Financial implications

Financial Savings and Investment

4.5 A high-level financial analysis has been undertaken of the existing services and the financial benefit that could accrue from a shared arrangement. At present, there is a combined net revenue budget of £27m with 313 Full Time Equivalents working (FTE) across both councils.

4.6 Based upon the proposed target operating model (section 5), the high level business case suggests that these arrangements would be expected to deliver an annual saving of £4 million per annum once fully operational.

- 4.7 The majority of these savings would come from a rationalisation of the workforce and a reduction in FTE numbers (potentially of up to 50 FTEs) as the service moves from two standalone services. This integrated operating model would require fewer management and supervisory posts. It would also be expected that there would be a further reduction in the workforce from process efficiencies as both Councils would benefit from integrated networks, datacentres and common applications.
- 4.8 In addition to the workforce savings, the financial model assumes 11 per cent savings on non-staff costs through the removal of duplicated spend and the integration of contract and software licensing. Based on experience from other ICT shared services which have over time delivered savings of close to 20%, this is seen as a prudent estimate.
- 4.9 To implement these arrangements, SOCITM has concluded that upfront investment in the region of £5 million will be required. It is thought that this is a prudent estimate and it is expected that these costs will be driven down as the project is implemented. The anticipated costs include:
- **Project support to aid the start-up and transition to the shared service**, including organisational development, process redesign and governance arrangements, programme management support and contract rationalisation support, procurement support and legal costs,
 - **Restructuring costs:** This would include job design, job evaluation, assimilation, selection, recruitment costs and associated redundancy costs.
 - **Building a common base (e.g. platform / infrastructure costs)** to bring the two Councils to a common standard and approach.
- 4.10 Further work will be undertaken to validate and agree the baseline budgets in detail and to estimate the savings and investment cashflows to inform both councils' financial plans. Both councils will need to identify capital and revenue investment funding for the project costs during the transition. Some of the funding could come from a one-off recycling of savings; however, the precise funding would be a decision for each council to make. Given both councils have prudently set aside earmarked reserves to cover redundancy costs, it is expected that these costs will be met from those reserves.

Figure 1: High Level Financial Analysis

Summary	£000s
Total Annual Savings	4,000
Total Investment Cost	5,000
End State FTE Reduction	50

Annual Savings	
Staff Savings (service average £/FTE)	2,457
Non staff savings	1,543
Investment Avoided (Annual Benefit)	0

Total Annual Savings	4,000
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Investments and One-Off Costs	
Design, build and implementation	
Project Team Cost (External)	1,900
Capital Investment	1,600
Severance Pay	1,500
Total Investment and One-off Costs	5,000

4.11 Based on the above, Camden's share of the investment costs is approximately £2.5m, though, it is expected that this level of investment will be driven down as plans are developed further. As part of the broader financial strategy, the Council has set aside resources within the cost of change reserve to fund any redundancy costs. It is proposed that this fund is used to cover these costs while the broader ICT investment costs are met through existing core ICT capital funding.

4.12 The outline business case is subject to an independent review by the joint Internal Audit service. This is due for completion and discussion in September.

Treatment of Financial Savings and Costs

4.13 Given the financial imperative, the shared service will need to deliver financial savings for both Councils. Consideration has been given to how this arrangement could work. There appears to be a range of options to apportion the financial benefits, including:

- Understanding where individual savings fall and allocating them accordingly,
- Distributing the savings according to the existing expenditure baselines of both Councils,
- Sharing the savings on an equal basis.

4.14 Each of the options above has both merits and drawbacks. While fairness is a key consideration, this must be balanced against the need to avoid unnecessary complexity and bureaucracy. It is also felt that any arrangement should align with and not undermine the spirit of the proposed integrated service delivery model. With this in mind, the starting assumption is that financial savings should be shared on an equal basis. Any variation to this approach will be subject to agreement by both Directors of Finance and subject to due diligence and a more detailed assessment of each borough's starting level of investment contribution and anticipated financial benefit.

4.15 In line with the above, it is also anticipated that the agreed project investment and one-off costs will be shared on an equal basis. Any variation to this approach will again be subject to agreement by both Directors of Finance as individual issues are raised. For example, there may well be occasions when each council will wish to invest in a local priority. Equally, there may well be times when one council is slightly more advanced than the other in a certain area of the business and in order to progress a joint undertaking, that council will require further investment. In these instances, it would be expected that the costs of any focused investment would fall directly on the council in question.

5. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

Target operating model

- 5.1 The ability to fully deliver the benefits cited above will require a transformation of existing ICT structures within both Councils. To ensure that any proposed operating model could deliver the three strategic objectives, seven guiding principles are proposed (Appendix A). At their core, these principles aim to ensure that current activities are aggregated as much as possible into a range of cross-cutting portfolios to deliver cost savings and to facilitate greater synergies, joint investment, knowledge sharing and common approaches.
- 5.2 It is proposed that the new Target Operating Model is an integrated one capable of working across both organisations (Appendix B). It would bring together staff into four functional areas that will support both Councils. It is proposed that:
- **The Digital Change function** will ensure that any digital developments are aligned with the strategic priorities of both Councils at both a departmental and corporate level.
 - **An Applications Support team** will have responsibility to support corporate and departmental systems.
 - **The Common Infrastructure function** will lead on the integration and consolidation of underlying infrastructure.
 - **The Strategy and Architecture function** will have responsibility for the overall strategic direction and operational performance of the service.
- 5.3 Beyond the financial considerations, one of the principal objectives of the project is to create a public service structure that is resilient. The service will be operating in a competitive employment market with organisations from both the public and private sector. It will need to have a strong brand and a range of employment policies that are sufficiently attractive to recruit and retain high calibre staff.
- 5.4 Under the proposed operating model, there would be a single post to lead and manage the shared service. In line with the arrangements for the shared internal audit post, the post holder will have a direct line manager with the expectation that the head of the service would maintain links with both directors of finance. In line with the governance arrangements below, the post holder would also be accountable to the management board and joint committee more broadly for the operational performance of the service. It is planned that there will be an internal recruitment process to fill this role with both senior officer and member involvement. If these proposals are approved by both councils, the recruitment process would be initiated in early October.
- 5.5 At the initiation of the shared service, existing staff will not be transferred to another employer (i.e. from Islington to Camden or from Camden to Islington), but will, as necessary, provide services to both under a S113 agreement. This agreement will allow staff to provide services and work across both organisations

and will be subject to staff consultation. However, the integrated nature of the proposed operating model, combined with the longer term option to operate under a more commercial framework, means that there is an ambition to move towards a harmonisation of employment terms and conditions over the next eighteen months. In line with the employment practices of both councils, this will be subject to a thorough staff engagement process. Any new posts will be recruited on Camden's terms and conditions. As part of these arrangements and in a similar approach to the shared public health functions between both councils, it is proposed that there is a 'Lead Employer'. Under the public health arrangements, Islington is the lead employer. For this service, it is proposed that the Lead Employer is Camden. The associated costs would be captured within the budget of the joint service and funded through the broader resources of the service. It is also recognised that there will need to be systems and processes within the support arrangements that provide sufficient reassurance to both councils that decisions and actions are being taken within their legal and statutory responsibilities.

Governance Framework

- 5.6 In its review, SOCITM also considered the governance arrangements for the shared service and the need for both political and managerial oversight. Following consideration of a range of options, the Review recommended that the shared service should be governed by either a Joint Committee (common in many local government shared services such as the Havering and Newham One Source offer) or a Wholly-Owned Legal entity (e.g. Company Limited by Guarantee, which is less commonly employed). A joint committee is a formal local authority committee constructed under Section 101 of the Local Government Act 1972 with responsibility for policy-setting delegated by principal local authorities. A wholly owned company is a separate legal entity set up by the principal local authorities. It would own assets, employ staff and be able to contract in its own right. Various options include a Company Limited by Guarantee, Mutual, Industrial and Provident Society, Limited Liability Partnership and a Social Enterprise.
- 5.7 Both options have their perceived strengths and challenges and this is set out in more detail in Appendix C. In considering the governance arrangements, factors considered included, but are not limited to:
- The need for democratic accountability,
 - The speed and financial implications of implementation,
 - Commercial possibilities and the ability to generate revenue beyond the service for the benefit of the partner authorities, and
 - The ability to grow the shared service to include additional partners.
- 5.8 At this stage, given the proposed go-live date of April 2016, it is suggested that the shared service initially operates under a joint committee structure. It is felt that that provides the quickest route to operation. Under the proposals, the Committee would consist of four members (2 from each borough) and it would convene twice a year to provide democratic oversight, agree the overall strategy for the service and to receive 6 monthly progress reports on the performance of

the service. Every member appointed to the joint committee needs to be a member of the Executive or Cabinet of their council. The current working draft of the terms of reference is attached as Appendix D to this report.

- 5.9 There would also be a senior officer management board. This would include senior officers from both councils, including both directors of finance, senior service users and the head of the shared service. The Board would be responsible for delivering the overall strategy of the service and for managing the overall operational and financial performance. The current working draft of the terms of reference is attached as Appendix E to this report.
- 5.10 A longer-term option would be to move from the joint committee structure towards a more commercially orientated model. It is proposed that a full review of the options for such a new model would be completed within 18 months of the go-live date. This commitment would be captured within the terms of reference for the joint committee. Given this longer term consideration, it is expected that the structures and arrangements for the joint committee will be designed in a flexible way to facilitate any potential move to a different operating model.
- 5.11 It is proposed that the Leader (who may exercise any Cabinet functions) subject to the agreement to the recommendations in this report to the overall strategy of the creation of a joint service and the delegation to a Joint Committee of the IT functions of the Council, and in consultation with the Cabinet Member for Finance and Technology makes any further decisions required (and makes any appropriate delegations to officers) as to the terms or reference and operation of the Joint Committee.

6. WHAT ACTIONS WILL BE TAKEN AND WHEN FOLLOWING THE DECISION AND HOW WILL THEY BE MONITORED?

- 6.1 While the bringing together of two distinct services into one integrated operating model offers a number of opportunities, there are also a range of significant challenges and risks. Experience across London local government and beyond shows that the creation of a shared service is not without challenges and risk. The project will continue to be subject to a robust project management process, overseen by the Directors of Finance from both councils and managed by a project team, led by a dedicated project resource, and consisting of senior finance and ICT staff from both organisations.
- 6.2 In its review, SOCITM identified a number of key risks. This has been supplemented by thoughts from the current project team and they are being actively managed through a regular review of the project's risk register. These include:
- Lack of common structure could add costs and cause operating and project management issues,
 - Lack of pooled budgets could prevent economies of scale and common approach,

- Failure to address culture change could prevent a collaborative working relationship between IT and the business,
- Loss of key staff during the transition and lack of buy in from key stakeholders in both councils could mean that the shared service is not supported and potentially set up to fail.

- 6.3 One of the principal risks identified concerns the need to ensure that both councils continue to receive a fully functioning ICT service while the transition is made to the target operating model. In response to this concern, an additional senior management post will be earmarked from within existing resources. The objective of this role will be to provide senior management support to the transition, minimising the impact of these changes on the two organisations and to provide additional management capacity alongside the head of the shared service at a time when there is expected to be significant levels of change.
- 6.4 The shared service is predicated on Islington centralising its ICT staff and budgets. All directorate staff will report into the Director of Digital Services and Transformation at Islington and IT budgets will be centralised at that time in order to facilitate the transition to the shared service from 1 April 2016.
- 6.5 Subject to the view of Cabinet, it is proposed that the new shared service would be operational by April 2016. This is an ambitious timeline and will require a robust project management approach. A summary of the key milestones over the next 12 to 18 months is provided below, and this work will commence immediately upon an affirmative decision by both councils.

Milestones 0 – 6 Months
<ul style="list-style-type: none"> • Appoint Single ICT Head of Service (designate) to be accountable for delivery • Centralise ICT in Islington (both staff and budgets) • Agree shared service governance model (including funding model and business plan) & implement • Engage with stakeholders to develop detailed design, consultation and proposals to deliver efficiencies along with implementation costs • Develop programme of proposed Quick Wins and accelerate implementation where business case to do so • Investigate Data Centre Options • Baseline priorities and demand across both Councils and aggregate into cross cutting portfolios that enable synergies, savings and joint development opportunities to be identified
Milestones 6 – 12 Months
<ul style="list-style-type: none"> • Centralise IT staff & budgets from both councils into the shared service • Appoint senior management structure • Align staff into the new operating model
Within 12 – 18 months
<ul style="list-style-type: none"> • Implement service efficiency programme to deliver efficiencies • Assuming operating model stable, explore proactively opportunities to expand • ICT Target Operating model in place

7. LINKS TO THE CAMDEN PLAN OBJECTIVES

- 7.1 The proposed service will deliver high quality and responsive ICT services to both Camden and Islington residents as well as to the internal organisation. The service will seek to underpin the organisation's transformative efforts to achieve the Camden Plan objectives and to deliver value for money services by 'getting it right first time'.

8. CONSULTATION

- 8.1 There has been no formal public consultation. Relevant staff and members in both councils have been consulted, e.g. through Islington Council's Digital Sounding Board. A more formal organisational change process will follow for staff in both councils as we move towards a shared service model.

9. LEGAL IMPLICATIONS (Comments from the Borough Solicitor)

- 9.1 The Local Government Act 2000 empowers the Secretary of State to make regulations enabling a Cabinet/ Executive of a local authority to arrange for the discharge of its functions by other means. The Local Authorities (Arrangement for the Discharge of Functions)(England) Regulations 2012/1019 apply. The regulations empower the Leader and Cabinet to make arrangements to discharge their functions with another local authority via a Joint Committee created for that purpose. The Regulations confirm that when the arrangements are between two local authorities and relate to Executive/Cabinet functions (which the IT function in a council is) then the arrangements are to be between the two Executives/Cabinets. The appointment of the joint committee, number of members, and term of office and scope of the committee is to be fixed by the Cabinet/Executive. In addition the Cabinet/Executive (in agreement with Islington/Camden) agree whether for example the Joint Committee can create a sub-committee or delegate functions to an officer of one of the two Authorities. Every member to be appointed to the joint committee must be a member of their home Executive/Cabinet and the political balance rules do not apply. While Cabinet is being asked to agree the overall strategy and the creation of the Joint Committee, it is suggested that the Leader, in consultation with the Cabinet Member for Finance and Technology, make the detailed further decisions which will include:
- To the terms of reference of the joint committee – current working draft is attached at Appendix D,
 - To appoint 2 members of the Executive/Cabinet to the Joint Committee to serve until the end of the municipal year.
 - The creation of an underpinning legal agreement between the Councils.

10. RESOURCE IMPLICATIONS (Comments from the Director of Finance)

- 10.1 The comments of the Director of Finance are included within this report.

APPENDICES

Appendix A: Design Principles for a Responsive Shared Service

Appendix B: Proposed Target Operating Model

Appendix C: Governance Frameworks

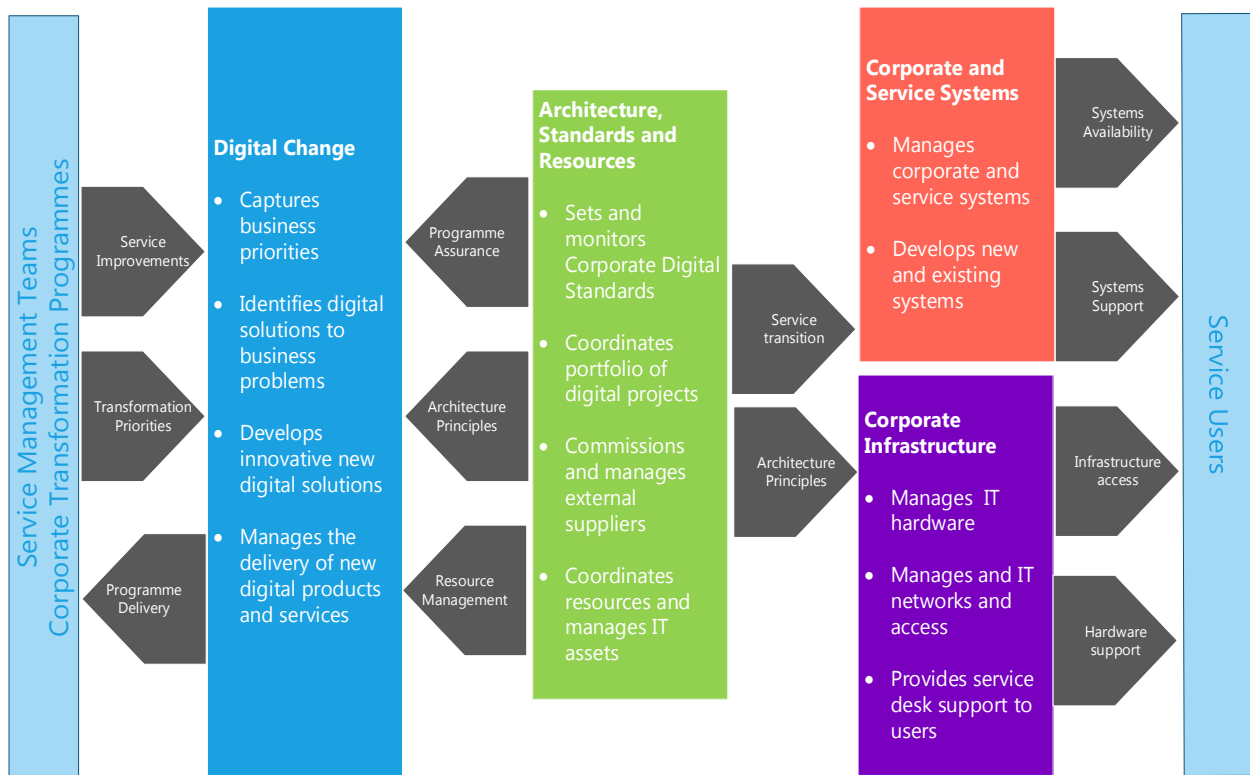
Appendix D: Joint Committee: Draft Terms of Reference

Appendix E: Management Board: Draft Terms of Reference

Appendix A: Design Principles for a Responsive Shared Service

1. Partnership based on an integrated model of delivery that will ultimately save money & accelerate innovation.
2. Responsive to customer need through partnership and alignment to corporate strategy & business driven approach to the allocation of resources.
3. Embedded in and with service needs through a strong and effective business partnering model.
4. Optimised through demand aggregation, integrated programme management and standardisation.
5. Delivers economies of scale through shared infrastructure & applications support services.
6. Provides resilience through shared knowledge and joint teams.
7. Deliver transformation capabilities & accelerate innovation through specialist teams building on shared expertise from the two teams (e.g. mobile working, customer access development skills).

Appendix B: Proposed Target Operating Model



Appendix C: Governance Frameworks

A. Joint Committee

Features
A formal local authority committee constructed under Section 101 of the Local Government Act 1972 with responsibility for policy-setting delegated by principal local authorities
Serviced by designated officers
Positives
Staff remain employed by their respective Councils – i.e. no TUPE impact
Allows a simple delegation of authority functions
Simple Governance structure that is tried and tested
Fastest way of establishing the Shared Service
Enables several longer-term structures to be considered as the Shared Service arrangement evolves – can form the basis of a move to a more commercial company structure once established, if desirable
Democratic accountability is maintained – member involvement at the heart of the entity
Provides the opportunity to create a sense of partnership identity through a separate ‘brand’ that distinguishes the service from the founding service departments and provides the basis for culture change
Challenges
Arrangements for employing new members of staff into the shared service need to be agreed – may become complex and impact on individual pension funds needs to be monitored
Can be bureaucratic - as new partners join the Joint Committee competing viewpoints increases the risk of more cumbersome strategic decision-making
The ability to “trade” is subject to legal challenge – need to ensure external service provision remains within legal boundaries.
May not drive culture change – may be difficult to create a sense of separate identity and joint enterprise
Limited scope to introduce commercial expertise (if trading is a driver)
No corporate entity to be able to contract or own property in own name (e.g. one of the principals needs to lead for external contracting)

B. Wholly Owned Company

Features
Separate legal entity set up by the principal local authorities - owns assets, employs staff and able to contract in its own right
Company wholly owned by the shareholders – likely to be Company Limited by Guarantee – with purpose set out in memorandum and articles of association
Positives
Distinct legal status
Provides the opportunity to create the necessary terms and conditions of employment to attract and retain the best talent in a highly competitive market without impacting on those of the rest of the two Councils

Allows the ability to bring onboard other shareholders and partners
Can be used to drive culture change, including a more 'commercial' approach to service delivery
Can contract and own property
Ability to trade commercially
Ability to introduce commercial expertise through non-executive Board membership
Capable of being used for multiple purposes
Challenges
Likely to trigger TUPE transfer of staff in existing operations – may take longer to establish
Potential exposure to taxation issues not faced by local authorities (e.g. corporation tax and recovery of VAT)
Conflict of interest issues need to be monitored
Independently monitored – subject to Companies Acts/Industrial and Provident Societies Acts and Insolvency Acts
Financial overhead of a separate company
Subject to EU procurement rules when delivering services to other Local Authorities and public sector bodies
Need to ensure that service delivered back to principal local authorities remain within the boundaries of 'Teckal' exemptions (i.e. that external trading is within legal limits)

Appendix D: Camden/Islington Joint Committee Terms of Reference: DRAFT

Membership:

1. The Committee shall comprise of four members, two appointed by each of Camden Council and Islington Council.
2. One member appointed by each council should be the relevant Cabinet/Executive member responsible for technology.
3. Every member appointed to the joint committee shall be a member of the Executive/Cabinet of their council. Political balance rules do not apply.
4. Each Council may nominate substitute Members to attend meetings of the Joint Committee, should an appointed member of the Committee be unavailable or unable to attend a meeting of the Joint Committee. A substitute Member attending in the absence of an appointed member must be a member of the Executive/Cabinet of their council and will have full voting rights
5. Each Member of the Joint Committee shall be appointed for an initial period of three years but shall cease to be a member if he or she ceases to be a member of the council appointing him or her or of its Cabinet/Executive.

Terms of Reference:

The Camden/Islington Joint Committee will:

1. Provide democratic oversight over the strategic delivery of the joint digital service provided to Camden and Islington councils through powers delegated to it by both Executives.
2. Approve the strategic service and financial plan for the service and the performance measures to ensure services are delivered to the agreed standard and within the resources provided by both councils.
3. Receive updates on the Business Plan and the performance of the Joint Service.
4. Approve revisions to the Terms of Reference of the Camden/Islington Joint Committee to be referred back to both Cabinets for approval
5. Receive and consider a detailed report, within eighteen months of the creation of the Joint Committee [by September 2017] that considers the options for the Shared ICT Service to be delivered via a wholly owned company rather than a Joint Committee structure and make recommendations to the Cabinet/Executive of Camden and Islington councils in respect of the report.

Meetings of the Committee:

1. The Camden/Islington Joint Committee will meet twice a year and shall meet at least once every six months. Additional meetings of the Joint Committee may be called by the Chair of the Joint Committee and shall be so called on the request of the Head of Paid Service of either authority, the Management Board or any two members of the Joint Committee.
2. Meetings of the Joint Committee shall be held at the venue or venues as agreed by the Joint Committee.
3. The Joint Committee shall appoint one of its members as Chair and that member shall remain Chair for one year unless he or she ceases to be a Member of the Joint Committee. The Chair will rotate between each authority on an annual basis with the vice-chair to come from the other authority.
4. A meeting of the Joint Committee shall require a quorum of two Members of each Council who are entitled to attend and vote. If there is a quorum of members present but neither the Chair nor the Vice Chair is present, the Members present shall designate one Member to preside as Chair for that meeting.
5. Subject to the provisions of any enactment, all questions coming or arising before the Joint Committee shall be decided by a majority of the Members of the Joint Committee immediately present and voting thereon. Subject to the provisions of any enactment, in the case of an equality of votes the Chair shall have a second or casting vote but before exercising this, the Chair shall consider whether it is appropriate to defer the matter to the next meeting of the Joint Committee.
6. Any Member of the Joint Committee may request the Joint Committee to record the votes of individual Members of the Joint Committee on a matter for decision.
7. Any member of the Councils who is not a Member of the Joint Committee is entitled to attend the Joint Committee but he/she shall not be entitled to vote, shall not take part in the consideration or discussion of any business, save by leave of the Chair.
8. Meetings of the Joint Committee will be open to the public except to the extent that they are excluded under paragraph 9.
9. Any decision of the Joint Committee which is a Key Decision shall be published by the Joint Committee and the relevant Council(s) in accordance with the Local Government (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.
10. The public may be excluded from a meeting of the Joint Committee during an item of business whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that, if members of the public were present during that item, confidential information as defined in section 100A(3) of the Local Government Act 1972 or

exempt information as defined in section 100I of the Local Government Act 1972 would be disclosed to them.

11. Each Council may call in any decision of the Joint Committee in accordance with the overview and scrutiny provisions of that Council's constitution. If any decision of the Joint Committee is subject to call in by a Council, the Joint Committee shall take no action to implement that decision until after the call in process is completed. The Joint Committee may delegate a function to a Sub-Committee, or an officer of either council.

Appendix E: Camden/Islington Management Board: Terms of Reference: DRAFT

Membership:

1. The Board shall comprise of no more than seven senior officers, being the head of the joint service and an equal number (three) of officers from both Camden and Islington.
2. The representatives from each council will need to include the relevant Director of Finance plus senior service representatives from each council.
3. Each representative will be responsible for taking a strategic view of the shared service and act in the broader ICT and digital interests of the two councils.

Terms of Reference

The Camden/Islington Management Board will have overall managerial and strategic responsibility for the delivery of the joint digital service provided to Camden and Islington. This will include responsibility for:

4. The business strategy, including key service objectives and investment priorities.
5. Ensuring that there are sufficient resources – both financial and non-financial – in place to achieve the service's key priorities and objectives.
6. Monitor and report on the service's performance against agreed metrics on a quarterly basis, taking any corrective action as and when required.
7. Leading on the financial strategy and investment priorities for the service.
8. Overseeing and agreeing the cost and benefit sharing framework, ensuring that it remains fair and appropriate for both organisations.
9. Provide updates on the strategic business plan and performance to the Joint Committee.
10. Oversee the development of work to ensure that within eighteen months of the creation of the Joint Committee [by September 2017], the Joint Committee considers the options for the Shared ICT Service to be delivered via a wholly owned company rather than a Joint Committee structure.