



City of Westminster

Committee Agenda

Title:

Cabinet

Meeting Date:

Monday 20th September, 2021

Time:

6.30 pm

Venue:

Rooms 18.01 - 18.03 - 18th Floor, 64 Victoria Street, London, SW1E 6QP

Members:

Councillors:

Rachael Robathan
(Chairman)
Heather Acton
Timothy Barnes
Matthew Green

David Harvey
Tim Mitchell
James Spencer
Paul Swaddle



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Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Committee and Governance Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. WELCOME

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any pecuniary interests or any other significant interest in matters on this agenda.

3. MINUTES

To approve the minutes of the meeting held on 12 July 2021.

4. FUTURE OF THE IT SERVICE

Report of the Chief Executive.

(Pages 3 - 8)

(Pages 9 - 32)

Stuart Love
Chief Executive
10 September 2021

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a virtual meeting of the Cabinet held on Monday 12 July 2021

Members Present: Councillors Rachael Robathan (Chairman), Heather Acton, Timothy Barnes, Melvyn Caplan, Matthew Green, David Harvey, Tim Mitchell and Paul Swaddle, OBE

1 MEMBERSHIP

- 1.1 It was noted that there were no changes to the membership. Cllr Tim Barnes joined remotely and was unable to vote at this meeting.

2 DECLARATIONS OF INTEREST

- 2.1 There were no Declarations of Interest.

3 FLOODING UPDATE

- 3.1 The Leader asked the Chief Executive, Stuart Love, to provide an update to Cabinet on the flooding in the north of the Borough. He advised that emergency services were on the ground and city inspectors had been deployed to the area to support residents. Contractors Veolia and FM Conway were also in the area to support the response and the clean-up. Councillor Robathan noted thanks to the agencies supporting the response and advised that the website would be updated as the situation unfolded. Councillor Caplan advised that the contact centre is aware of the situation and ready to respond to resident queries.

4 MINUTES

- 4.1 **RESOLVED:** The Leader, with the consent of the Members present, signed the minutes of the meeting held on 19 April 2021 as a true and correct record of the proceedings.

5 FINANCIAL PLANNING: MEDIUM TERM FINANCIAL PLAN

- 5.1 Councillor Paul Swaddle, Cabinet Member for Finance and Smart City, introduced the item which was intended to provide an update on the medium term financial plan, which ensures that resources are in the right place to meet the council's City for All objectives. The plan has been updated to include 2024/25 to maintain the per year horizon. Councillor Swaddle advised that delivery on existing savings commitments is a key priority to ensure that the budget does not become a greater challenge; however, the leadership team will continue to work to identify medium term deficiencies and longer term transformation to meet the budget gap.

- 5.2 Gerald Almeroth, Executive Director of Finance and Resources, noted that there are still is still considerable uncertainty around local government finances and funding and that the government's Spending Review in the autumn will indicate what the council might expect to receive. He also noted that a prudent framework is important for the council's medium-term financial planning.
- 5.3 Councillor Caplan highlighted that members are all acutely aware of the uncertain climate and the challenges of the pandemic, but that the council has adopted better ways of collaborative working to take forward into the future.
- 5.4 Councillor Swaddle agreed that the pandemic forced new ways of working that might have taken longer to implement, and the council now needs to see how it can apply that rate of change to other transformations to bring forward savings and create greater efficiencies to deliver results for residents.
- 5.5 Councillor Robathan agreed that it was a very helpful paper and having a longer focus time was important in identifying savings with the least impact that will improve the restructure and reshaping of services.
- 5.6 **RESOLVED:** Cabinet noted the revised medium-term financial planning forecast for 2024/25 and agreed the budget process as set out in the report.

6 FINANCIAL OUTTURN REPORT

- 6.1 Councillor Swaddle introduced the report, which was reflective of the pandemic's impact on the council's finances. He noted that in gross terms, the General Fund had a variance of £60 million due to a drop in income, however with government funding taken into account, the net variance was £3.8m. He advised the council has £59.5m in reserves, which illustrates council resilience. Councillor Swaddle noted thanks to all officers who have worked hard throughout the pandemic to help manage the council's overall financial position.
- 6.2 Gerald Almeroth agreed with Councillor Swaddle's summary and noted that given the challenges the Council faced in the past year and the reserves, there was still justification to hold approximately £1m in the General Fund to hold the position going forward.
- 6.3 Councillor Harvey highlighted the strong position of the Housing Revenue Account with thanks to prudent planning by officers in Housing Services, and also to residents who have paid their rent and leaseholders paid their service charger, or communicated when they have had issues doing so. He noted that the priority remains to help residents who have financial problems maintain good levels of trust with the Council.
- 6.4 Councillor Caplan highlighted that it was a fantastic financial result but also noted the creativity and speed at which Finance and Business officers operated in dealing with unforeseen events, which helped to protect

vulnerable residents and others who had not previously approached the Council.

6.5 Councillor Robathan noted thanks to Gerald Almeroth and his team, and all council officers including the Executive Leadership team and Chief Executive, who ensured that the Council delivered a remarkable financial outturn despite significant challenges, while maintaining a first class service for residents, compared to other councils who have not ended in as good a position. She noted that this is testament to the years of sound financial management by the Council.

6.6 **RESOLVED:** Cabinet noted the draft statement of accounts for 2020/21 and the Council's outturn position for 2020/21, and approved the slippage from the capital programme for 2020/21 into future years.

7 WHOLLY OWNED COMPANIES GOVERNANCE

7.1 Councillor Swaddle, Cabinet Member for Finance and Smart City, introduced the report and noted that the Council is committed to strong governance arrangements for all its decision-making, and ensuring we have best practice to deliver statutory arrangements, and City for All objectives for the community. He highlighted that the Council has a number of company interests in place and that given the recent expansion of its Housing agenda through Westminster Builds, it was timely to arrange an overall review of the governance arrangements. He advised the report carries improvements to the Council's oversight of those companies, and that everyone knows how those companies are run.

7.2 Gerald Almeroth noted that there were some recommendations which came from internal audit reports in the last year and that Westminster Builds has already picked up and implemented those recommendations. He advised that he had shared the report with Councillors who are nominated Directors of Council companies and that they were happy to support this as a good way forward in terms of the Council's overall governance.

7.3 Councillor Robathan asked for clarification on 1.3 which referenced three internal audits – Westco Trading Limited (WTL), Westminster Housing Investments Limited (WHIL) and Westminster Housing Developments Limited (WHDL) – and asked whether Westminster Community Homes (WCH) was not part of an internal audit. Mr Almeroth advised that these internal audits were undertaken where the Council has complete, 100% ownership of those companies, and as WCH is under different arrangements, it is going through a separate process.

7.4 Councillor Robathan agreed that the report is important in ensuring we have the correct governance processes in place, as well as transparency and control processes. She highlighted the significant activity going through Westminster Housing and that the Council's governance procedures must be

fully competent and as robust as it needs to be. Councillor Robathan noted that the remit of the Shareholder committees, in particular its Terms of Reference, scope and membership appear to be entirely appropriate.

- 7.5 **RESOLVED:** Cabinet endorsed the report and approved the creation of a Shareholder Committee as set out in the report as well as the delegation of some powers to Executive Directors.

8 WESTMINSTER BUILDS BUSINESS PLAN

- 8.1 Councillor Heather Acton, Cabinet Member for Communities and Regeneration, introduced the report and noted that Westminster Builds is a wholly owned company (WOC) covered by the governance arrangements in the previous report. She noted that an independent review was commissioned of the business plan which makes some key recommendations which are being followed up. Councillor Acton highlighted that the Westminster Builds Board was meeting in the coming week and that it would be the last board attended by the outgoing chair, Barbara Brownlee, and noted her thanks to Ms Brownlee for her contributions to Westminster Builds and to the council. Councillor Acton advised that a key recommendation in the business plan, subject to approval, was the removal of the out of the borough pipeline will be removed for the time being but recommended the business plan for approval.
- 8.2 Debbie Jackson, Executive Director for Growth, Planning, and Housing highlighted that this is not the first approval of the business plan but that it is an important one as the council is about to consider whether Westminster Builds should take on direct delivery of some of the council's major regeneration schemes. She noted that the council is looking to get into a better rhythm of improving the business plan by reviewing it annually through the governance mechanisms referred to in the previous report.
- 8.3 Councillor Swaddle noted that he was pleased to see that out of borough pipeline had been put hold so the focus could remain on what the council is doing in borough.
- 8.4 Councillor Robathan noted that Westminster Builds is making an enormous effort to deliver affordable and intermediate housing in Westminster which is also a key commitment of the council, and that it is a key vehicle in delivering that commitment. She noted that it is important to have the governance in place and to be as robust as it possibly can be, with a clear reporting structure between the business plan and the shareholder committee. Councillor Robathan welcomed that the out of borough pipeline has been taken out at this point in time, and that it will ensure a sharper focus on delivery in Westminster and will be the vehicle to help the council deliver targets. She echoed Councillor Acton's comments regarding Barbara Brownlee and noted that the set up of Westminster Builds was largely driven by Ms Brownlee who recognised what was needed.
- 8.5 **RESOLVED:** Cabinet approved the Business Plan as set out in Appendix 1 with the exclusion of the out of borough pipeline and noted that the Plan

would be revisited to consider the implications of said exclusion to feed into forthcoming budget processes.

The meeting concluded at 7.05pm.

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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 decoupling 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 decoupling 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

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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