

MUNICIPAL YEAR 2016/17 – REPORT NO. 32

MEETING TITLE AND DATE:

Cabinet: 7 July 2016

Report of:

Director of Finance, Resources and
Customer Services

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Agenda: Part 1	Item 11
Subject: Taking Forward Enfield Council's IT Offer	
Wards: All	
Key Decision Number: 4314	
Cabinet Members Consulted: Cllr Lemonides Cllr Georgiou	

1. EXECUTIVE SUMMARY

- 1.1 At its meeting on 10 February 2016, Cabinet agreed to register a company, wholly owned by the Council, to further develop, support and commercialise the Enfield 2017 offer.
- 1.2 Since that decision, the commercial offer, governance and market interest have been developed, and this Cabinet report sets out the full business case for the establishment of the company.
- 1.3 It is clear that there is considerable market interest in the Enfield 2017 offer, both in terms of the technology which underpins the Council's transformation, and, given the scale and ambition of the transformation, our experience of how this can be delivered. Put together – the package of consultancy, experience, knowledge and technology – Enfield's experience is pretty much unique in the local government sector, and therefore there is an opportunity which may be exploited, to raise Enfield's profile, reduce the cost of IT delivery, improve the quality of services, and generate additional income for the Council.
- 1.4 The proposed IT company will provisionally be called Enfield Data Centre, and will be managed through now well-established governance arrangements here at the Council:
 - It will be wholly owned by Enfield Council.
 - Its Board will be chaired by an Enfield councillor, with the majority of board members also being councillors.
 - 2 non-executive directors will be appointed to the board, to bring external perspectives to the management of the company.

These proposed arrangements are set out in greater detail in section 3 of the report.

- 1.5 The IT world moves and changes quickly and the technology offer Enfield currently has, although protected by law, will have a finite life, and Enfield now needs to move swiftly to ensure that it exploits this opportunity, and continues to innovate and develop further opportunities, if information technology is to become a sustainable income source for the Council.
- 1.6 The creation of Enfield Data Centre also provides a greater opportunity for Enfield IT staff, staff who are in the process of being TUPE transferred in from Serco, and contractors working with the Council to develop significant skills and capabilities that would not normally be available for a local authority IT service. This should improve retention, enable innovation in the development of future IT and, in turn, help to reinforce the sustainability of the company.

2 RECOMMENDATIONS

2.1 Cabinet is invited to:

- 2.1.1 Note the progress made since its February meeting on the development of the Enfield 2017 transformation offer.
- 2.1.2 Agree to the establishment of the IT company.
- 2.1.3 Agree to the governance model set out in the report.
- 2.1.4 Note that in parallel to the establishment of the new trading company, the Council's ICT team will be restructured in order to put in place the correct structure and skills needed to manage the services being transferred in from Serco, and ensure that Enfield's IT team is a good place to work, with excellent career opportunities.
- 2.1.5 Agree that the company may commence trading, once established and the Board put in place.

3. BACKGROUND

- 3.1 Since the Cabinet's decision in October 2014 to initiate the Enfield 2017 transformation programme, there has been considerable progress and improvement in a number of areas. This transformation is still part way through, and the completion of the programme is in hand. At the heart of Enfield 2017 are clear design principles, based on an overall vision for the Council, which have followed through into the organisational design, cultural change and technological development that has occurred over the last 18 months.

3.2 As a result of this programme of change, there has been considerable interest in three distinct areas, from a number of councils:

- The technology solutions that support the **customer pathway** through the organisation. Typically, a customer's journey through the organisation entails moving amongst a series of separate IT systems, supported by a Customer Relationship Management (CRM) solution. Enfield's solution is different, and provides a unified customer journey, based on an initial triage of customer needs. The Enfield solution streamlines and automates whole aspects of the customer journey, and allows a personalised experience.
- The technology tools which will speed up **future IT development**, so shortening the time it takes to bring new products into service for the Council, and, potentially, for other councils (customers) as well.
- The **experience** of implementing these complex systems as part of a much wider transformation programme, working with a range of providers across the private sector, as well as the public sector. This means that Enfield has the potential to create new relationships, sell on the Council's experience and, in turn, raise the Council's profile.

3.3 In addition to taking forward these opportunities, Enfield Council also needs to manage the IT operational services transferred in from the previous contract with Serco, and to continue the transformation for the Council (ie complete the Enfield 2017 programme).

3.4 The migration of services from Serco has progressed very smoothly, with the company fully cooperating in a pragmatic and helpful way. Similarly, work to move the Council's data centre away from Serco is running to plan. Staff transferring in from Serco became Council employees on 1 July 2016 and the combined team will then be restructured to enable it to run in-house services, rather than managing an operational contract with Serco.

Progress to Date

3.5 Enfield 2017 has achieved a great deal since October 2014:

- The creation of a **single customer gateway**, and Enfield Connected, so that, in time, approximately 80% of the Council's customer activity will come via this route, with the remaining 20% (the more complex issues and cases) going deeper into the Council. This provides a better customer journey for the customer, 24/7 service availability for customers, and significant savings compared with the previous arrangements, which included 3 separate call centres.
- The **engagement of local people** in the design and development of the new website from the outset. Although there were some teething problems when the new website was first launched, successive releases have corrected these glitches and provided significantly greater customer functionality. Similarly, uptake of Enfield Connected has been good, with 28,029 individual accounts and 797 business accounts registered by the

end of April, and additional direct debits signs ups between and 18 March 2016 and 21 June 2016 of 2984, an increase of 1722 on the same period in the previous year.

- The pulling together into one place all staff and processes involved in the **assessment activities** across the Council. There is a very high degree of commonality in the information customers are required to submit for the Council's assessment processes, and the new service (as well as supporting information technology) brings all of this together into a single assessment process. This is a ground-breaking change for local government and, for the first time, focuses the organisational structure around customer needs.
- The creation of other **centres of excellence** ("hubs") for Finance, learning and development and Performance, Policy and Community Engagement, so that overall costs are reduced and the consistency and resilience of services improved.
- The creation of an Operational Support Hub (previously known as "Business Support"), which provides a single administrative support service for the council. This is probably the most complex part of the Enfield 2017 transformation, and, as part of the ongoing implementation of the programme, much work is in hand to simplify, streamline and where possible eliminate administrative processes, and better support them using IT. Therefore, Council staff are in the process of moving to a much greater self-service way of working.
- A strong focus on **digital inclusion**, so that all parts of the community are able to access Council services. Initiatives to enable this have included:
 - Engagement in the design and development of the IT, explained above.
 - The creation of 4 hub libraries, which provide enhanced services and longer opening hours.
 - 13 community libraries which will continue to provide library services, as well as better wi-fi and continued access to computers and the internet.
 - Visiting library services to replace the previous library van. This service provides a better and more through link with the isolated members of our community, as well we the opportunity to link customers with the other services the council provides.
 - Designing in from the outset the ability of the new technology to be predominantly smartphone enabled, which greatly increases the accessibility of the service to many more parts of the community.
 - Provision of advice and guidance at our libraries on how to use the new website, how to access services and how to use technology.
 - The continued face to face channel, so that those who are not able to use the IT themselves can still get help in using it here at the Civic Centre and John Wilkes House (as well as the 4 hub libraries).
 - An extensive communications campaign, to make local people aware

of the changes, before, during and after those changes take place.

Developing the Commercial Offer

- 3.6 To take forward the opportunities mentioned in 3.2 above, the Council:
- Is negotiating how best to receive a royalty payment for future sales of the IT software solutions already developed by Enfield, and the opportunity to provide ongoing support to those sales.
 - Has agreed a commercial deal with IP Soft, to enable it to develop tools to deliver IT solutions faster, so that where work remains to be done here in Enfield, this can move forward more quickly, and at about 1/3 less cost than using traditional programming mechanisms. This technology also provides an on-line and verbal customer interface (called Amelia, similar to Cortana and Siri, but related to the business environment), and is ground breaking in the local government sector.
- 3.7 In addition, the Council has developed further its relationship with Microsoft (which provides the IT products that support the Council's new IT platform), so that Enfield is able to draw on a wider range of development and implementation partners whilst again opening up the opportunity for ongoing revenue streams for the products and services that are sold.
- 3.8 In addition to the commercial offer that is being developed, the intention is to move the Council's IT service into the company in due course, so that all IT-related activity sits in the same place, and under the same leadership. At present, the work to bring the IT services delivered by Serco, along with the staff who deliver this, back into LBE is progressing as planned, and the changeover to the new arrangements will begin on 1 July. Following that transfer, the services, along with the development of the commercial offer will move to the trading company. Initially, this need not be a TUPE transfer – staff may be seconded in the same way as they are with Housing Gateway, Enfield Innovations and Energetik – and staff terms and conditions would be preserved. In the longer term, and in the light of company performance, a TUPE transfer would be considered, and agreed through the normal Council governance arrangements.

Governance

- 3.9 Governance of the company will be key to ensure its effective set up and ongoing performance. It will follow the same governance model as the Council's other companies and, therefore, will:
- Be governed by a Board of Directors, comprising 3 councillors and 2 officers. The chair of the Board will be a councillor and quoracy will be two councillors and one officer.
 - Meet on a monthly basis, and produce an annual report to Cabinet on the year's performance
 - As a first step, the company will appoint its own internal auditors, like the

other Council companies.

- Depending on company growth, establish its own Audit Committee, to oversee the internal control framework of the company.
- Appoint 2 independent non-executive directors, to provide expertise and advice on the running of the company, drawn from the ICT sector.

3.10 The Chair of the Board will be an Enfield Councillor (elected by the Board), and the managing director is the Council's interim Assistant Director of ICT. Other key positions of the board are:

- Councillor members – Cabinet Member for Finance and Efficiency, Deputy Leader/Public Services Delivery, and a third councillor from the Administration.
- Company secretary – Provided by Enfield Legal Services.
- Officer member – Director of Finance, Resources and Customer Services.

4 ALTERNATIVE OPTIONS ONCISDERED

4.1 Potential alternative options are:

- Do nothing – in other words, keep the existing IT management structure in place. However, this would not enable the restructuring of the Council's IT team, which needs to be updated to reflect the transfer of service previously performed by Serco.
- Do minimum – ie to restructure the ICT team only. This would provide the necessary structure and mix of staff skills needed to manage the services brought back in house from Serco. However, it would not enable the commercial opportunities for the company to be exploited, because the necessary skills and capabilities would not be put in place for this aspect of ICT business.
- Exploit ICT using restructured ICT team – this would provide some of the necessary capabilities but, crucially, legal advice indicates that the Council would not be able to receive income of the exploitation of the intellectual property rights currently owned by the Council. This is explained further in paragraph

5 REASONS FOR RECOMMENDATIONS

5.1 The Council has developed as part of the Enfield 2017 programme intellectual property rights to the IT supporting the transformation. This IPR can be used to generate a potential income to the council, when software using that IPR is sold on to other councils. Initial market interest suggests that this is possible, and arrangements with the council's partners have been made to enable this to happen.

5.2 Use of income to the council from the sale of its ICT capability will help to defray the cost of the initial investment and, in turn, help to minimise the further reductions to council services needed in order to manage within the

funding made available to the council by central government.

6 COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial implications

6.1.a Enfield has invested £11m in software development with further costs included in the Council's capital programme. The proposals in this paper set out the opportunity for the Council to exploit its investment to generate a sustainable income source for the Council.

6.1.b The full details of the commercial arrangements are being negotiated so that the detailed financial business plan can be agreed for reporting back to Cabinet and inclusion in the 2016/17 Medium Term Financial Plan. Until this is complete it is not possible to comment on the Council's total future investment or how this will be funded. Any additional costs identified over and above existing budgeted activities will require a separate approval for funding.

6.1.c The new IT company as a limited company will be required to adhere to the normal responsibilities of a private company, including the production of separate statutory accounts, as well as discharging its responsibilities regarding VAT & Corporation tax. The VAT position will be looked at in detail once the actual nature of the new company's transactions is known.

6.2 Legal Implications

6.2.a The Council has power to establish and participate in the proposed IT company, for a commercial purpose, in accordance with:

- section 1 of the Localism Act 2011 (General Power of Competence, or GPCOC) and section 4 of that Act (which allows anything that it may do to be done for a commercial purpose);
- section 95 of the Local Government Act 2003 and the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 ("**Order**").

6.2.b Section 38 of the Local Government (Miscellaneous Provisions) Act 1976 provides a power for local authorities to provide computer-based services on a commercial basis if a number of conditions are satisfied. It therefore "overlaps" with the GPOC and its provisions continue to apply in respect of trading in these specific services. The section states that commercial agreements for services provided "by means of the computer" can be entered into: (i) where the authority has provided a computer to enable it to provide its functions; (ii) the computer can, without detriment to those functions, be used for the commercial purpose; and (iii) be on such terms as the authority considers another person, other than the authority, could reasonably be expected to provide the relevant services.

These terminology used in section 38 is, to a large extent, archaic given the current technological landscape. However, these restrictions should nevertheless be addressed in relation to any future trading arrangements.

- 6.2.c Section 95 of the Local Government Act 2003 also contains a number of restrictions that the Council must adhere to in establishing the proposed IT company. In particular, and of greatest relevance: (i) the company cannot trade in relation to a function that the Council is under a statutory obligation to provide; and (ii) the trading must be related to the functions of the Council.
- 6.2.d The trading entity must be a company within the meaning of section 1 of the Companies Act 2006 or a registered society (and is likely to be company limited by shares) and, as a company under the control or influence of the Council, will be governed by the provisions of Part V of that Act. Detailed financial and propriety controls are detailed in the Local Authorities (Companies) Order 1995 and must be complied with.
- 6.2.e Pursuant to the Order: (i) the Council must prepare a business case which should be approved by the Council (**and it is noted that this report does not seek this approval**) before trading commences; and (ii) the Council may not subsidise the activities of the trading vehicle on a continuing basis. In any event, the Council should satisfy itself that any support provided to the trading vehicle does not expose the Council to a risk of providing unlawful state aid.
- 6.2.f There is a potential for conflicts of interests to arise between the directors of the proposed company, who have a fiduciary duty to serve the interests of that company, and those of the Council. Appropriate steps should therefore be taken to reduce the scope for conflicts of interest at an early stage, particularly where existing members and officers of the Council are to be involved in the future operation of the proposed company. The proposed company may also require independent legal advice in relation to any arrangements to be put in place between it and the Council.
- 6.2.g Advice should also be taken in relation to potential employment and pensions issues should existing Council employees be transferring to the proposed company. At this stage, no staff transfers are planned or anticipated in the short-term.
- 6.2.h If the proposed company is to be independent of the Council, and established with the purpose of trading with third parties, it is very unlikely that it will be classified as a “Teckal” entity and, therefore, any services delivered by it to the Council will not be exempt from the Public Contract Regulations 2015. Similarly, if the proposed company will be a Contracting Authority for the purposes of that legislation (and this is unlikely on the basis that the proposed company is to have an “industrial or commercial character”), services it receives from the Council will also be subject to the public procurement regime.

6.3 Property Implications

6.3.a None arising directly from the decision in this Cabinet paper.

7 KEY RISKS

7.1 Like all issues and decisions the council faces, there are a number of risks and opportunities provided by this paper. The risks and opportunities will be managed using a risk register that will be reviewed at each Board meeting, and appropriate mitigating actions put in place and/or adjusted as necessary as the risk pattern changes over time. It is also expected that one of the non-executive board members will bring particular expertise in risk management, to provide added assurance that the risks are properly identified and addressed.

7.2 Key risks facing the company at present are:

- **Product lifecycle** – like all ICT products, timescales for development, sales and implementation are short, and there is a limited timeframe within which sales can be generated without the need for further updates or development. The IPR developed by Enfield is no different, and, if the Council is to get a financial benefit from its earlier investment, it must move quickly to establish the company and enable the income/royalties to be collected from partners.
- **Potential market interest** – early estimates suggest that whilst there are over 400 councils in the UK, around 20 may be interested in adopting the Enfield products. The arrangements entered into with potential suppliers enable a royalty from each of these customers to be returned to Enfield, and that royalty to be based on a percentage of the overall sales value of the product.
- **Competition** – although the products Enfield has developed are at present unique, other companies are developing similar products and, as with the product lifecycle, the Council must move quickly if it is to mitigate this risk.
- **Expertise** – the current mix of Enfield Council ICT staff, including those to be transferred back in from Serco, have considerable expertise in supporting day to day ICT operations. The restructuring of the ICT team, and the addition of an interim with commercial sector sales expertise provides the additional skills needed to fully exploit this market opportunity.

8 IMPACT ON COUNCIL PRIORITIES

8a Fairness for All

By generating income for the council through the sales of its ICT platform, the need to make financial savings elsewhere in the budget to manage within the available resources reduces and, therefore, increases the possibilities for ensuring all customers within the borough are treated as fairly as possible by

maintaining a wider range of services than would otherwise be possible.

8b Growth and Sustainability

Development of the Council's ICT company puts in place the foundations for the Council becoming a leader in ICT in the local government sector, and, therefore, giving the Council a stronger employment offer to current and potential employees, as well as helping to attract inward investment more indirectly by raising the borough's profile and standing.

8c Strong Communities

Additional income for the Council helps to maintain key services in our local communities, so helping them survive and prosper.

9 EQUALITIES IMPACT IMPLICATIONS

Creation of the Council's ICT company does not create any equalities-related issues. However, should the company decide to develop further ICT services and/or products, full equalities impact assessments will be undertaken as necessary. Similarly, although not the subject of this report, the restructuring of the ICT team mentioned above will be fully compliant with all of the Council's employment relations policies and practices, including equalities.

10 PERFORMANCE MANAGEMENT IMPLICATIONS

- 10.1 There are no performance management issues arising directly from this decision. Once the company is up and running, a full performance management framework will be developed, so that the overall direction of the company is clear.

11 HEALTH AND SAFETY IMPLICATIONS

- 11.1 None arising from this report.

12 HR IMPLICATIONS

- 12.1 Although not the subject of this report, the restructuring of the ICT team mentioned above will be fully compliant with all of the Council's employment relations policies and practices.
- 12.2 Recruitment of the non-executive directors to the company board will follow the council's agreed recruitment procedures. The chair of the board will be fully involved at all stages, and the appointments will be ratified by the board.

13 PUBLIC HEALTH IMPLICATIONS

- 13.1 None arising from this report.

Background papers

None