
Subject: Shared Support Services with the GLA Family
Report No: Public Item 2.6
Meeting date: 16th September 2009
Report to: LDA Board
Report of: Andrew Travers, Group Director Resources and Performance
Key Theme: Corporate

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1. Purpose

- 1.1. This report seeks the Board's approval on a strategic move to shared support services with the wider GLA family and direction on issues arising as a result of that move.

2. Recommendations

The Board is asked to:

- 2.1 **Endorse and approve** the LDA strategy to move to a shared service arrangement with the wider GLA family members for IT, HR, Facilities Management, Procurement and Finance corporate support services, where appropriate.
- 2.2 **Note** that the LDA is entering into the first shared service arrangement with Transport for London (TfL) with immediate effect to transfer the management of the LDA voice and data network to TfL through a functional delegation arrangement.
- 2.3 **Approve** the LDA giving unlimited liabilities in the transfer of the management of the LDA voice and data network to TfL referred to at 2.2.
- 2.4 **Approve, in principle,** the LDA giving unlimited liabilities in future shared service arrangements with other GLA members subject to individual risk assessments for each service being brought to the Board.
- 2.5 **Approve** in principle, the transfer of the remaining LDA IT support function to TfL via a shared service arrangement by the end of March 2010.

2.6 **Note** that a detailed business case will be brought to the board meeting in November.

2.7 **Note** the intention to negotiate the transfer of Facilities Management services to TfL when our current third party contract ends in March 2010.

3. Summary

3.1. The GLA family have been working on a strategy to move to shared services for a range of corporate support services. The areas currently being considered are IT, HR, Facilities Management, Finance and Procurement. The intention is that a more cost effective and efficient service across the group can be provided bringing a range of benefits and enabling better use of scarce resources and lower management overheads.

3.2. Good progress has been made in developing the processes to facilitate the move to shared services and this includes extensive negotiation and consultation on the approach. The processes developed through this preliminary work will enable all members of the GLA family to progress future transfers more quickly, building on the lessons learned and previous decisions taken.

3.3. The LDA is preparing to transfer the first of these services (the management of the LDA voice and data network at Palestra) to TfL immediately, subject to Board approval and direction on one remaining substantive issue regarding the giving of unlimited liabilities. This issue of unlimited liabilities arises from the principle on which shared services is based; that the body providing the service should not suffer any detriment as a result of having a service transferred to it.

3.4. Subject to Board approval of this strategic approach the LDA intends to rapidly move the remaining IT support services to TfL with effect from 1st April 2010. This includes:

- Management of the service
- Management of disaster recovery and business continuity
- Helpdesk
- Desktop support
- Data Centre support
- Applications support
- Phones, Mobile technology
- Printing Services
- Systems development services - The development schedule will be agreed in advance prior to the start of each financial year to ensure adequate resources are available to deliver the work programme.

- Project management services

A client management function would be retained by the LDA and this would include Information management services.

- 3.5. We will seek to negotiate the transfer of Facilities Management services to TfL when the current LDA third party contract ends in March 2010.

4. Background

4.1. Endorsement and Approval of the LDA Strategy.

- 4.1.1. The LDA is fully committed to the Shared Services agenda, recognising the savings and improvements that it can deliver. The transfer of IT services in the first instance will enable us to address a high risk aspect of business support.
- 4.1.2. Transfer of the network service which is near completion will address high level risks around maintenance, support and security that we currently have. It would not be possible to provide the same solution in-house without a much greater level of investment that the cost of transferring the service to TfL
- 4.1.3. There is a pressing need to address issues in the wider IT services within the LDA. Currently all IMT services at the LDA are provided 'in-house', but LDA have had numerous issues around the ability to attract and retain qualified technical staff at the level dictated by our organisation structure.
- 4.1.4. We currently address these issues through the employment of contract staff with the expertise we require, but this is a high cost approach and gives us issues around retention and loss of expertise and knowledge on an on-going basis. When issues arise there is often a delay in resolution until we can source and engage the necessary expertise and this threatens business continuity and impacts on the quality of the service provided.
- 4.1.5. Our internal IT communications room is not fit for purpose. It has a number of issues which leave it at high risk of failure and would require significant upgrade to the room and to the computer infrastructure within the next year to reduce the risks. Disaster recovery is currently limited and in the event of full system failure we could be without computer systems for 3 – 5 days.
- 4.1.6. Resolution of these issues in-house would require the provision of more internal resources to address the issues described above and the LDA would not benefit from the wider

technical infrastructure available to TfL that would help the LDA to improve business continuity.

- 4.1.7. It is proposed that IT is the first service to be transferred but there is potential to make similar arrangements for Facilities Management, HR, Finance and Procurement in future transfers.

4.2. Transfer of the Management of the LDA Voice and Data Network to TfL.

- 4.2.1. The first service to be transferred by the LDA via a Shared Services arrangement is the management of the LDA voice and data network where the LDA is currently at high risk of outage due to lack of in-house support. The LDA is currently finalising the legal documentation to put this transfer into effect from 1st October 2009.

- 4.2.2. The scope of the Services to the LDA includes the following:
- monitoring the Networks and the Resolution of Incidents and Problems;
 - management and support of active LAN and Interconnect Network components
 - Incident & Problem Management and Incident Resolution as determined by the assigned Severity Rating in the Service Levels;
 - proactive Incident & Problem Management of faults affecting the Networks detected from Monitoring of the Networks;
 - fully managed support of Firewalls and their configurations in accordance with the terms of the Security Policy;
 - management of Third Party Contracts;
 - provision of a Secondary Service Desk, to provide Incident & Problem Management and updates and amendments to the CMDB;
 - the provision of Service Reports and attendance at Service Reviews;
 - the provision of a Programme Office to respond to TfL Requests for Change (RFC) including project based design and implementation services;

- 4.2.3. The Service level Agreement for these services is set out in Appendix 2. The IM Director of Service and Operations at TfL will have responsibility for delivering the service to the agreed level and will meet at least monthly with the LDA Head of IT to review performance. Quarterly performance reports against agreed targets will be produced for GMT performance

meetings.

- 4.2.4. Either party may withdraw from the Delegation and terminate these Arrangements at any time. A process for dispute resolution has been agreed that adopts a positive approach to identify a solution at the lowest operational level appropriate with a view to maintaining a strong working relationship between the parties. This has a number of escalation points culminating with the Commissioner of TfL and the CEO of the LDA for final resolution and direction on the way forward.
- 4.2.5. The Board is asked to note that the cost of delivering this service has been agreed at £115k in year 1, which represents a cost saving of approximately £60k pa to the LDA. There will be no staff transfers or redundancies in respect of this.

4.3. Unlimited Liabilities

- 4.3.1. In relation to the LDA shared service arrangement with TfL for management of the voice and data network, the only substantive issue remaining is TfL's request that the LDA provides certain unlimited liabilities. This issue arises from the principle that no member of the GLA family should suffer a detriment as a result of a transfer of services. Therefore, this issue is likely to arise again in future shared services arrangements.
- 4.3.2. The current form of the 'Arrangements for Delegation' with TfL contain a number of mutual unlimited liabilities. These are set out and described in Appendix 1. Overall, the risk to the LDA in accepting these unlimited liabilities is considered to be relatively low as the LDA is either required to have liabilities that already exist for the LDA or to have liabilities over which it has a certain amount of control. The Board will recall that at its meeting on 4th February 2009, it agreed to adopt a policy whereby the Board's consent would be required prior to the LDA entering into any agreements in which the LDA has any form of uncapped liability. The consent of the Board is therefore sought to give unlimited liabilities in respect of the network management arrangements.

4.4. Future shared service arrangements

- 4.4.1. The issue of unlimited liabilities is likely to arise in all transfers of service within the GLA family due to the 'no detriment' principle for those providing the service to other members of

the GLA family. Board approval is therefore requested to the giving of unlimited liabilities by the LDA for all future shared services arrangements subject to individual risk assessments for each service being brought to the Board.

4.5. Transfer of all IT support to TfL

- 4.5.1. The IT strand of this project has made significant progress and the LDA and TfL have worked closely to determine the practicalities of transferring all LDA IT support to TfL, using the transfer of the management of the voice and data network as a pilot area to develop the processes and understand related issues.
- 4.5.2. Support for the IT infrastructure at the LDA is undertaken to a large extent by temporary contractors due to difficulty in recruiting and retaining suitably qualified technical experts at the appropriate grades. Further, the LDA often have to add 'market supplements' to improve salaries offered. Addressing the issues internally would mean a review of current grades and salaries and the addition of new posts.
- 4.5.3. The delegation of the LDA's IT function to TfL is intended to address issues of the lack of in-house skill, capacity and continuity issues and to reduce cost.
- 4.5.4. Detailed Service Level Agreements will be agreed as part of the due diligence work from October to December and this will reflect a commitment to maintain existing service levels as a minimum. The IM Director of Service and Operations at TfL will have responsibility for delivering the service to the agreed level and will review this with the LDA Head of IT at least monthly.
- 4.5.5. As with the transfer of the network service it has been agreed that either party may withdraw from the Delegation and terminate these Arrangements at any time following the agreed dispute process with allows for final resolution between the LDA CEO and TfL Commissioner for Transport.
- 4.5.6. It is anticipated that IT services provided by TfL would start to deliver savings from 2010/11 and would reduce:
 - current risks the LDA have around the internal data centre, old hardware and unsupported software;
 - IT support costs for LDA;

- accommodation costs by reducing internal headcount and transferring server hardware to an external location;
- energy cost and emissions through data centre improvements;
- commercial exposure through improved buying power; and
- skills gaps due to lack of qualified technical staff in a number of areas.

In addition the transfer would provide:

- Improved service resilience, business continuity and disaster recovery;
- 24 hour support for all aspects of the services; and
- New technologies and platform refresh without the full additional set-up costs.

An outline business case has been developed with TfL which identifies IT savings of £337k to the LDA.

4.5.7. The Board is asked to approve in principle, the transfer of the whole LDA IT support function to TfL via a shared service arrangement by the end of March 2010.

4.6. **Facilities Management**

4.6.1. As the only tenant in Palestra until last year the LDA had to outsource Facilities Management services to an external third party supplier. This support contract comes to an end in March 2010 and the LDA can either re-procure an external service or transfer some or all of these services to TfL via a shared services arrangement. A shared services arrangement would mean that the LDA and TfL would have a single source of facilities services and a standard service would be provided to all floors in the building. There would also be the potential for saving through reduced overheads once the new service was fully embedded.

4.6.2. At this stage Facilities Management savings have not been quantified as these will emerge during negotiation of the new service with TfL. If we are unable to come to a cost effective arrangement with TfL we will competitively procure the contract.

4.6.3. The Board is asked to note the intention to begin negotiations with TfL on this approach.

5. Consultation & Communication

- 5.1. GLA Heads of Legal have all been involved in discussions about taking forward the shared service agenda and in taking Counsel's advice on the procurement risk involved in proceeding with shared services without undertaking a competitive procurement.

6. Mayoral Advice & Direction

- 6.1. N/A

7. Equality, Sustainability, Health and Community Safety implications

- 7.1. No specific implications.

8. Implications for Our People

- 8.1. The proposal to transfer services to TfL could lead to loss of jobs. The change needs to be managed effectively to ensure that the LDA manages all risks related to people and that it is able to continue to provide high quality services during the transition.
- 8.2. The transfer of the whole of the IT support services to TfL with effect from 1st April 2010 will affect all staff who deliver these services. It is expected that most of the staff involved in delivering the service will transfer to TfL under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). It is envisaged that a small number of redundancies will be made at management level. Staff consultation is planned to take place for one month between September and October. Following consultation it is proposed that implementation will begin in January 2010 with the transfer of all agreed services complete by 31st March 2010.
- 8.3. Any additional costs resulting from these changes will add to the initial transitional costs included in the report.

9. Risk implications

- 9.1. Transfer of the IT voice and data network will address a range of existing issues that arise from a lack of in-house technical expertise at the LDA. Failure to transfer the service means that we will continue to provide a temporary high cost solution to addressing these issues in the short term. All due diligence has been undertaken and there are no business continuity considerations arising from the transfer.
- 9.2. Transfer of the T service is a new approach in line with the shared services initiative that will reduce existing risks to the LDA's aging IT infrastructure and enable us to benefit from the more effective infrastructure in place at TfL but the transition requires careful management and additional resources required are reflected in the transition costs. The project planning will identify the risks in greater

detail together with how we will mitigate those risks.

10. Financial implications

- 10.1. The IT budget for 2009/10 is £3.5m comprising £1.4m staff costs and £2.1m non staff. The anticipated cost of the service as provided by TfL is £3.2m, an annual budget saving of £300,000.
- 10.2. The transition costs total £775,000 in 2009/10. These include implementation, configuration, project management, training and legal costs.
- 10.3. There is potential to reduce the cost of Facilities Management services by moving these to TfL but this requires more work and negotiation before savings can be quantified.

11. Comments of the Director of Finance & Performance

- 11.1. The annual budget savings identified in 10.1 will be taken into account in setting the administration budget through the investment strategy process outlined elsewhere on the agenda.
- 11.2. The transition costs can be financed from the Agency's restructuring reserve.

12. Comments of the Director of Law & Governance

- 12.1. There was initially a concern about whether shared services arrangements need to be competitively procured. The Heads of GLA took advice on this issue and Counsel advised that the arrangements with TfL would not need to be competitively procured for a number of reasons. Primarily, Counsel advised that due to emerging law in this area, the arrangements with TfL would be classified as 'administrative arrangements', rather than a contract for services that needs to be competitively procured. A number of considerations were relevant here, including the fact that the services are to be provided on a 'not for profit basis' and that the bodies are both concerned with the discharge of public functions in Greater London. However, Counsel did advise that there is a degree of risk (albeit a relatively modest one in respect of the TfL arrangements) of proceeding on this basis in the absence of a clear statement by the Court in this area of law.
- 12.2. All other legal comments are incorporated into this report and its appendices.

13. Appendices

- Appendix 1 - 'Unlimited Liabilities Required by TfL for the Transfer of Network Management Services.'
- Appendix 2 - SLA for the Management of Network Services

14. Background documents
None.

Report approval checklist

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This checklist must be completed for all reports to the Board, GMT Committees and Advisory Groups.

Please click on the relevant box to select it.

	Yes	No
Approved by Director of Finance and Performance or nominee (please state): David Willis, Head of Finance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Director of Law and Governance or nominee (please state): Anureet Hara, Senior Associate Commercial Law	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Group Director (please state): Andrew Travers, GD Resources & Performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>