

Your Ref:
Our Ref: Gov/
Enquiries to: Member Services
Direct Dial: (01768) 817817
Date: 11 January 2022

Town Hall Penrith Cumbria CA11 7QF
Telephone: (01768) 817817
Internet: www.eden.gov.uk
Email: ctee.admin@eden.gov.uk

Dear Sir/Madam

CABINET - TUESDAY, 18TH JANUARY, 2022

Please find enclosed a report to be included for consideration at the meeting of Cabinet on Tuesday, 18th January, 2022 .

7 **ICT Shared Service Contract (Pages 3 - 8)**

To consider Report No. DoR02/22 of the Interim Director of Resources.

Local Government Reorganisation will result in the activities of both Eden District Council and South Lakeland becoming the responsibilities of the new unitary council from 1st April 2023. This will remove the need for the Shared Service arrangement. Accordingly, South Lakeland District Council will confirm with Eden District Council that the current agreement to provide IT services will not be renewed on its expiry of the 31st March 2023.

RECOMMENDED that Cabinet:

1. Approve that in light of Local Government Reorganisation (LGR) Eden District Council accept that the IT Shared Service Agreement will not be renewed following the expiry of the current agreement on the 31st March 2023.
2. Approve that in the event that the Structural Changes Order is not made for any reason or is delayed so as to set the vesting day for the new authorities later than April 1st 2023, that SLDC discuss with Eden District Council an extension of the shared service arrangement to ensure service continuity and enable both Councils to review options for the future delivery of IT services.

Please note: this report will be sent 'to follow'.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Frost', is centered on a light gray rectangular background.

Ian Frost
Interim Chief Executive

Encs

Distribution

1. Reports to all Members of the Cabinet for attendance.
2. Reports to Departmental Heads for information.
3. Reports to all remaining Councillors for information.

Report No: DoR02/22

**Eden District Council
Cabinet
18 January 2022
IT Shared Service**

Portfolio:	Resources
Report from:	Interim Director of Resources
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 Local Government Reorganisation will result in the activities of both Eden District Council and South Lakeland becoming the responsibilities of the new unitary council from 1 April 2023. This will remove the need for the Shared Service arrangement. Accordingly, South Lakeland District Council will confirm with Eden District Council that the current agreement to provide IT services will not be renewed on its expiry of the 31 March 2023.

2 Recommendation

- 2.1 It is recommended that Cabinet:
- 1) Approve that in light of Local Government Reorganisation (LGR) Eden District Council accept that the IT Shared Service Agreement will not be renewed following the expiry of the current agreement on the 31 March 2023.
 - (2) Approve that in the event that the Structural Changes Order is not made for any reason or is delayed so as to set the vesting day for the new authorities later than 1 April 2023, that SLDC discuss with Eden District Council an extension of the shared service arrangement to ensure service continuity and enable both Councils to review options for the future delivery of IT services.

3 Report Details

- 3.1 South Lakeland District Council and Eden District Council have a formal agreement through which South Lakeland District Council provide IT Services to Eden District Council. This is referred to as the IT Shared Service. The agreement commenced in 2011 and was extended in 2018. The agreement will come to the end of its term on the 31 March 2023.
- 3.2 Under the terms of the agreement each Council is required to determine whether it wishes to enter a new agreement beyond the term of the existing agreement. This notice was required to be given by 31 March 2021. With a decision on Local Government Reorganisation pending, both Councils agreed to revise this date to the 30 September 2021.

- 3.3 Local Government Reorganisation (LGR) will see the creation of the new unitary Council which will serve the areas of Barrow, South Lakeland and Eden from the 1 April 2023. As a result, the need and basis for considering the IT Shared Service between the two Councils is superseded by the creation of the new unitary Council. For compliance with the current contract, and to plan for Local Government Reorganisation, it is appropriate that South Lakeland District Council inform Eden District Council that it will not seek to continue a Shared Service arrangement on expiry of the current agreement on the 31 March 2023. The Councils will then work together (as per the agreement) through the Joint Operational Board (established by the original agreement) to agree an exit strategy which may deal, for example, with staffing, assets, IP, liabilities, etc and as part of preparations for the new Council.
- 3.4 The current shared service will continue to serve both Councils until that time. In the circumstance that Local Government Reorganisation does not proceed, both Council would be able to discuss opportunities to enter a new agreement from 1 April 2023.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Sustainable;
 - Healthy, safe and secure;
 - Connected; and
 - Creative

- 4.2 The ICT service falls within the Connected priority.

5 Consultation

- 5.1 Eden District Council, through their representative on the Joint Operational Board, have been advised that South Lakeland District Council are considering this report.
- 5.2 Local Government Reorganisation will see the abolition of the existing Councils and shared arrangements superseded by the creation of the new Council. There is an alternative option that the councils could agree now to renew the agreement with the caveat that it would terminate as Local Government Reorganisation is completed. This option is not recommended as, in the event of Local Government reorganisation not proceeding, it would not allow for joint appraisal of the future business case and options for the Councils.
- 5.3 An option in addition to the recommended course of action is to agree that both Councils would jointly review the business case and opportunities for future shared service in the event reorganisation does not proceed or is delayed. Such discussion could be extended to the inclusion of other Councils in a future arrangement.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019-2023 as agreed at Council on 7 November 2019.
- 6.1.2 With impending Local Government Reorganisation, there are no direct financial implications from this proposed course of action. The design and costs of how IT services will be provided in the future will be considered in the development of the operating model of the new unitary council. This will also address the future of any existing supply contracts held by the two Councils.

6.2 Legal

- 6.2.1 The Shared Service contract provides for the provision of staffing infrastructure ICT services; website services; management of the ICT services; maintenance and security of ICT equipment systems and services and budget management of the shared ICT service. Developing and providing the Shared ICT services are shared between Eden District Council and SLDC in the proportions 39.8% and 60.2% respectively. The scale of costs meets the threshold for a key decision for the Council.
- 6.2.2 Under the agreement, Eden District Council, as 'Arranging Council', has agreed to exercise its powers in sections 101, 102, 112 and 113 Local Government Act 1972 and the regulations made under these Acts; together with the general power within section 2, Local Government Act 2000 and the supporting provisions within section 111 of the Local Government Act 1972 to arrange for South Lakeland Council, as Discharging Council to discharge functions relation to Information and Communications Technology services at the times and on the terms set out in the agreement. The original agreement for the Provision of ICT Services commenced on the 8 March 2011.
- 6.2.3 Both parties agreed a first variation to the agreement on the 3 December 2018, the effect of which was to extend the agreement to the 31 March 2023. The first variation required that by 31 March 2021, the parties must each decide and notify the other whether or not it wishes to enter into a further agreement at the end of the agreement. Both parties further agreed (by a second variation agreement) that this notification date be revised to the 30 September 2021.
- 6.2.4 In the event that the parties do not wish to enter a new agreement, they are required to develop an exit strategy which must be agreed by the Joint Operational Board within six months of the decision being made and notified to each other. The Joint Operational Board was established by the original agreement and is comprised of an officer nominated by Eden District Council, an officer nominated by SLDC and the Head of Service. It is proposed that all matters pertaining to the Exit Strategy are delegated as per recommendation 2.1(2) to be agreed via the Joint Operational Board.
- 6.2.5 Preparations for Local Government Reorganisation in the design and operating model for the new unitary council, will in effect comprise the exit strategy from the agreement. This will include review of assets and how they are transferred to the new Council. For example, the current shared service

agreement provides that upon termination assets held by SLDC will become property of one of the parties (to be agreed between the parties) and to the extent that a council receives more assets than its share (in the Specified Proportions) it will make a compensating cash payment to the other party.

- 6.2.6 The original agreement includes an indemnity which survives the termination of the agreement. The indemnity is provided by each council to each other in respect of any liabilities/claims/costs and/or expenses of, or incurred by, the other council arising out of/connected with the discharge of the Specified Functions - the provisions are for joint liability (with limited exclusions for, eg breach of agreement, gross negligence, gross misconduct, etc). This would now need to be assessed in a local government reorganisation context.

6.3 Human Resources

- 6.3.1 South Lakeland District Council are the employer of all Shared Service employees. With impending Local Government Reorganisation, there are no direct Human Resources implications from this proposed course of action. Employment matters will be addressed in the development of the operating model of the new unitary council.

6.4 Environmental

- 6.4.1 None applicable.

6.5 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	N/A
Health, Social Environmental and Economic Impact	N/A
Crime and Disorder	N/A
Children and Safeguarding	N/A

6.6 Risk Management

Risk	Consequence	Controls Required
Local Government Reorganisation does not proceed	The provision of IT services in both Councils would need further consideration including options for a new shared service arrangement.	Keep the situation under review as preparations for LGR proceed.
Period of significant change for both Councils	Sustaining IT Service delivery at a time of change	Continued management of service and delivery programme.

7 Other Options Considered

7.1 All the options are set out within the report.

8 Reasons for the Decision/Recommendation

8.1 To ensure that the ICT provision is maintained until vesting day and scope included if the timescales are delayed.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	Report Author
Monitoring Officer (or Deputy)	11 January 2022

Background Papers: None

Appendices: None

Contact Officer: Paul Sutton, Interim Director of Resources

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