



CABINET

Subject Heading:

OneSource ICT Decoupling and creation of a Sovereign IT Service for Havering

Cabinet Member:

Councillor Paul Middleton, Portfolio Lead for Resources

SLT Lead:

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Policy context:

Vision for Havering principle outcome:
Resources – “Council is digitally enabled”

Financial summary:

Repurpose £7M approved programme capital to decoupling and sovereign IT service creation.

Is this a Key Decision?

Yes - Expenditure of £500,000 or more

When should this matter be reviewed?

March 2025

Reviewing OSC:

Overview and scrutiny board

The subject matter of this report deals with the following Council Objectives

People - Things that matter for residents

Place - A great place to live, work and enjoy

Resources - A well run Council that delivers for People and Place. **X**

SUMMARY

- 1.1 In April 2023 the London Borough of Havering and London Borough of Newham decided to separate from the OneSource IT service, associated shared infrastructure and create their own IT service.
- 1.2 Both councils are on shared IT infrastructure, much of which is end of life and requires investment to modernise and improve. This infrastructure is unreliable and limits the Council's ability to modernise and achieve its corporate priorities. The separation of oneSource IT will be achieved when the Council has migrated off this shared IT infrastructure onto its own dedicated modern IT infrastructure and services.
- 1.3 The work to undertake the decouple is by nature a joint activity with Newham, as any activities relating to the shared infrastructure and the shared IT support team will require joint coordination and agreement.
- 1.4 This report outlines the approach that will be taken to create the Havering IT service, manage the infrastructure and service decoupling and receive the handover of IT services from OneSource onto a dedicated (improved where required) infrastructure.
- 1.5 The Havering IT Service will be delivered by a hybrid of in-house staff and supplier provided services. This approach will allow us to maintain internal points of contact, maximise previous investment and control over supplier-maintained services.
- 1.6 Havering's Corporate Plan 22/23-26/27 sets out actions required for the Council to be "digitally enabled" including:
 - Refresh the Council IT hardware and move to the cloud where appropriate.
 - Increase the Council's digital offer to its residents and workforce.
 - Ensure that the Council's Cyber security is as robust as it can be.

These key deliverables have helped shape the recommendations in this report.

- 1.7 This report seeks approval on the above approach to separate from the OneSource joint IT service and the creation of Havering's Sovereign IT Service and confirmed revision of the delegations therein. An equivalent report is also being taken through Newham's formal decision-making process.

RECOMMENDATIONS

- 2.1 For the reasons stated in this report Cabinet is recommended to approve the following strategic actions
- 2.1.1 Establish the Havering Sovereign IT Service by December 2025, marking the conclusion of OneSource IT's services to Havering. Transition to a new hybrid IT service, optimised for cost-effectiveness, with potential residual shared services governed by inter-authority agreements when beneficial.
- 2.1.2 Adopt a structured programme comprising three distinct workstreams to realise sovereign IT Services for Havering and Newham. Each borough will oversee its respective work stream to ensure tailored outcomes, while the third will prepare OneSource's infrastructure for a seamless handover. This collaborative yet independent approach safeguards against service disruption during the transition.
- 2.1.3 Repurpose approved capital set aside for “Evergreening Capital” programmes to focus on improving and modernising IT infrastructure and services as part of that handover process, where it is possible to do so within time and budget constraints.
- 2.2 LBH authorises the s.151 Officer, in consultation with the Chief Executive, to make all necessary arrangements to give effect to the authorisation at 2.1 above, including but not limited to:
- a) Implementing the HR and other operational processes to give effect to the recommendations.
 - b) Agreeing the dates for the withdrawal of the joint ICT service.
 - c) Agreeing, amending and finalising any variation or variations to the Agreement and the delegations contained therein as necessary to give effect to 2.1 above, and thereafter to sign and complete any variation on behalf of LBH.
 - d) Making arrangements to receive staff into LBH as a result of the amendments to the Agreement.
 - e) Making arrangements to allow LBH to share some of the proposed withdrawn services for a transitional period beyond the agreed date of implementation whilst permanent arrangements are put in place within LBH.
 - f) Making arrangements to provide a support service to the retained One Source services.
 - g) To prepare and/or receive and thereafter agree and set the investment case for the ICT function.
 - h) To delegate the authority to conduct procurement, award, and enter into contracts associated with the recommendations in this report in coordination with the Portfolio Lead for Resources.

REPORT DETAIL

3.1 Background

- 3.1.1 The London Borough of Havering and London Borough of Newham both have IT shared infrastructure and support provided by the OneSource IT shared service.
- 3.1.2 In April 2023, by a decision of Cabinet, the two Councils decided to decouple from the OneSource IT service and associated shared infrastructure in order to:
- Enable improved flexibility for each council to achieve their digital strategies and strategic priorities.
 - Improve the quality of IT services and project delivery.
- 3.1.3 Both councils are on shared IT infrastructure, much of which is end of life and requires investment to modernise and improve. This infrastructure is unreliable and limits the Council's ability to modernise and achieve its corporate priorities. The decoupling can only be achieved once the Council has migrated from this shared IT infrastructure onto its own sovereign and modern IT infrastructure and services.
- 3.1.4 Havering and Newham will work together, where it makes sense to do so, to achieve the decoupling from the OneSource IT service. However, each Council will control its own sovereign work and any associated procurement and commissioning.
- 3.1.5 This report outlines the proposed approach to achieve this decoupling.

3.2 Proposal

- 3.2.1 To deliver a sovereign IT service and transfer decoupled OneSource IT services and shared infrastructure involves:
- Decoupling the current shared infrastructure and moving each council to dedicated infrastructure and cloud services.
 - Decoupling the existing IT shared services team and moving to dedicated support arrangements.
- 3.2.2 Decoupling the current legacy infrastructure and investing in new dedicated modern cloud platforms, services and infrastructure will deliver a step-change in council technology capabilities and user experience. This will establish the technology foundations and core infrastructure that will underpin the council's corporate and strategic initiatives for the future.

- 3.2.3 The overall cost to Havering to implement the programmes to create sovereignty from the current shared infrastructure, implement new modern infrastructure and migrate the Council to this infrastructure is expected to be circa £7m.
- 3.2.4 Capital budget totalling £7.839m has previously been approved for 23/24, 24/25 and 2025/26 and beyond to carry out “Evergreening Capital IT”. It is proposed that £7m of this budget is repurposed to deliver the decoupling of ICT, which by its nature is synonymous with the original evergreening capital ambition.

3.3 Programme Approach

- 3.3.1 Both councils have recognised that they will need to work together to deliver the decoupling and to manage OneSource IT shared resources to deliver modernisation activities at pace, and with reduced risk to both councils.
- 3.3.2 Taking into account the complexity of migrating from complex shared legacy environments with dependencies on each council, the requirement to coordinate all activities of the shared IT support team and the joint nature of the programme, a joint board has been established between Havering, Newham and OneSource.
- 3.3.3 Led by Havering’s IT Client Director, Havering will direct and oversee OneSource in the development and deployment of a distinct and enhanced technology infrastructure. OneSource will design a technology roadmap, collaborating with agreed partners as necessary, to engineer a sovereign technology environment, to meet the direction agreed by Havering.
- 3.3.4 Each Borough will define and run its own Sovereign IT service design programmes and will look to move services into the sovereign model in an agile way as the capability is built. This will reduce the risk of impact on council services by avoiding a “big bang” approach.
- 3.3.5 The joint programme is expected to be completed by December 2025, with services transferring to operational sovereign services when implemented and signed off.
- 3.3.6 The modernisation activities will shift the Council onto new “evergreen” cloud platforms and services with regular updates and new capabilities being released that can support business efficiencies and build foundations to support our vision of being digitally enabled.
- 3.3.7 Where partners are used to help deliver decoupling and modernisation activities, these same partners will provide support to upskill our own staff to ensure knowledge retention and potentially reduce delivery costs.

3.3.8 The summary benefits of these technology decoupling and modernisation activities are:

- Sovereign control of technology and technology roadmap.
- The legacy council data centre and shared Wide Area Network can be decommissioned, delivering savings which can be reinvested into modernising and modernising Havering's IT service.
- Improved IT reliability, stability, and performance, reducing the risk of data loss and disruption to Council services.
- Improved security, protecting Council data and reputation.
- Improved mobile and flexible working, including home working.
- Improved self-service and self-support for users 24/7.
- Improved capability and opportunity to transform business processes and deliver business efficiencies.
- Improved capability to generate data-driven insights, design effective digital services for staff and residents, and create innovative digital solutions using AI and IoT technologies.
- Improved accessibility.

3.4 Technology Improvements

3.4.1 The following outlines additional activities to improve infrastructure stability during or before decoupling:

- 3.4.1.1 Evaluate and migrate servers and applications from the legacy council data centre into the cloud, where appropriate.
- 3.4.1.2 Migrate from the legacy shared end-of-life network to upgraded secure connectivity for council offices and users.
- 3.4.1.3 Migrate from the shared Microsoft 365 platform to a dedicated Microsoft 365 platform, with options to improve security to protect council and user data.
- 3.4.1.4 Review the service management platform with a new improved dedicated platform for the council to manage IT service incidents, requests, changes etc.
- 3.4.1.5 Review current data warehousing and reporting capability and create a future-proof proposal.

3.5 Creation of Sovereign IT Service

3.5.1 Both councils recognise the challenge in developing and maintaining in-house IT support skillsets to effectively manage and maintain these platforms, particularly in London where councils struggle to compete to recruit skilled IT technical resources.

- 3.5.2 Havinging therefore believe that partners may be needed to improve the maturity of the operational IT services and to deliver these in separate managed services contracts over a 5-7 year term. As services are moved into sovereignty and implemented, OneSource would transition these services into their separate operational managed service model for each council under the direction of the joint board.
- 3.5.3 The IT support services that would be under consideration to be managed by the partner would be those transactional or specialist IT services that would benefit from deeper and broader partner capabilities to provide 24/7 monitoring, extended support hours, and technical skillsets in the associated technologies. For example, these services could be:
- Cloud hosting
 - Telephony and connectivity
 - Service desk and service management
 - M365 and Managed Desktop
 - Security operations centre (This is already partner-provided. The proposal is to review this arrangement and potentially move to a new partner)
- 3.5.4 Those business-facing IT support teams that require more council and business-focused knowledge and experience will be transferred into Havinging and developed as Council IT support teams. These services are:
- Applications support and development
 - Technical adoption
 - Database services
 - Project delivery and PMO
 - Information Assurance and Governance
 - Strategy and Architecture
 - Data and Insight
- 3.5.5 Work has already begun on an operating model for Havinging's Sovereign IT service. This also includes a full review of infrastructure, services and skills currently provided by OneSource, to help determine the scope of partner-supported services.
- 3.5.6 If partner support is deemed necessary the procurement process will use a Crown Commercial Services framework which provides a pre-approved list of suppliers with the appropriate capabilities, enables a quick and cost-effective route to evaluate and procure, and has standard recommended contracts for the delivery and management of these types of services.
- 3.5.7 Havinging's Corporate Plan 22/23-26/27 lays out actions required for the Council to be "digitally enabled", including:

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- Refresh the Council IT hardware and move to the cloud where appropriate.
- Increase the Council’s digital offer to its residents and workforce.
- Ensure that the Council’s Cyber security is as robust as it can be.

The delivery of this vision could be supported by our teams working with IT strategic partners that can bring knowledge and experience from the public and private sectors on the potential of new and emerging technologies. The procurement process for partners will therefore also look for those partners that have broader digital capabilities and who can act in the role of a strategic IT partner to support the delivery of the council’s broader digital ambitions.

3.6 High-level programme timelines

Project	3 24	4 24	5 24	6 24	7 24	8 24	9 24	10 24	11 24	12 24	1 25	2 25	3 25	4 25	5 25	6 25	7 25	8 25	9 25	10 25	11 25	12 25			
Server Move to Azure Cloud			Migrate																						
Network Upgrade				Design				Build																	
MS Sovereign Tenancy			Build			Migrate																			
Sovereign Service		Design									Migrate														

3.7 Risk mitigation.

3.7.1 The key risks associated with the decoupling and the proposed mitigations have been identified and are being actively managed. The proposed procurement structure and approach have been selected to mitigate critical risks. The councils have also engaged a specialist IT and procurement advisory organisation (TVI) to help define the process. TVI has worked with stakeholders to produce an outline technical blueprint and modernisation scope to inform the technical direction for a cohesive infrastructure.

REASONS AND OPTIONS

Reasons for the decision:

- 4.1.1 A decision was made in April 2023 to separate the IT service and this report outlines the approach to delivering that sovereign IT service for Havering.
- 4.1.2 The reason we have decided on this approach is that Havering will be solely responsible for the shape of the new service and can deliver it using partners and OneSource resources.

Other options considered:

4.2.1 The alternate approaches to achieve the technology decoupling were considered with different variations developed and considered in consultation with both Havering and Newham. Both Councils have agreed to work together where required to achieve decoupling, however, each Council will be in control of implementing their own sovereign technology and undertaking any associated procurements.

4.2.2 Alternate options were considered based on the following key criteria:

- Risk
- Cost
- Timescales
- Complexity

4.2.3 Key identified risks that the decoupling approach options looked to mitigate were:

- Multiple suppliers working to migrate services off the same shared complex legacy infrastructure, causing business disruption and significant governance and coordination overhead.
- Multiple decoupling projects and workstreams progressed without adequate dependency planning and sequencing causing delays and issues.
- Increased timescales and costs for both councils due to uncoordinated decoupling planning and delivery.
- Poorly delivered projects and solutions, impacting on the delivery of council priorities.

4.2.4 Those options which did not decouple from the shared infrastructure first, before moving away from the OneSource IT support organisation, generally were much higher risk, had a higher overall cost and had much longer timeframes for the council to deliver on its corporate and strategic priorities.

4.2.5 On analysis of the options that were developed, these options were narrowed down based on the following agreed requirements.

- To not invest in and try to split current legacy infrastructure but rather migrate to new cloud services and infrastructure for each council.
- To jointly manage decoupling resources and activities.
- To source partner operational managed services for some specific services areas.

4.2.6 The shortlisted options were then further refined in consultation with both councils and the final recommended approach forms the basis of this cabinet report and its recommended decision to progress with separate sovereignty

IT service programmes and a joint programme board working together to deliver the decoupling and to manage the shared resources.

4.3 Option 1 – A joint programme of work with Newham

4.3.1 This was not recommended as following discussions on options, it was apparent that each borough wanted a different outcome, and it would be difficult to manage a joint programme of work that delivered two quite different outcomes.

4.4 Option 2 – use a managed service partner for everything

4.4.1 This option would introduce a delay in starting the programme as a full scoping exercise including estimated timing would have to be created ahead of going to tender. Any deviations from this scope would incur additional costs and delays in delivery.

4.4.2 This option would also result in the displacement of the majority of current Havering IT Staff working for OneSource, which would result in knowledge loss of systems and services requirements.

4.5 Option 3 - Do nothing

4.5.1 Havering could wait until OneSource has handed over the non-Havering components to Newham and received from them what is remaining. This is not recommended as it would not enable us to modernise as part of the process and would leave us exposed in terms of Havering's IT roadmap and decision-making process around the future shape and scope of the service.

4.5.2 Havering would be further exposed by the loss of Newham IT staff currently working for OneSource when they move to dedicated service delivery for Newham.

IMPLICATIONS AND RISKS

Financial implications and risks:

One-off technological split costs

It is estimated the cost of decoupling the councils' technology will cost in the region of £7m. This figure is based on early market engagement carried out on the assumption a single supplier would carry out the works. It has since been decided that oneSource will design a technology roadmap, collaborating with agreed partners as necessary, to engineer a sovereign technology environment. Part of the benefit of this agile approach which relies more on existing oneSource skills

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and resources is that it will deliver better value for money and so this estimated figure is a ceiling amount.

Breakdown of one-off programme costs and estimated profiling across financial years:

Technology Split	Total	24/25	25/26
Cloud Migration	650,000	325,000	325,000
Azure Virtual Desktop	350,000	175,000	175,000
M365 build and migrate, Identity & Access Management, Modern Device Management	650,000	325,000	325,000
Content & Collaboration Services Migration (Sharepoint & TEAMS)	650,000	325,000	325,000
Change & Adoption	100,000	50,000	50,000
Data Centre Decommission	350,000	175,000	175,000
Dynamics 365	350,000	175,000	175,000
Network	1,500,000	750,000	750,000
SUB TOTAL	4,600,000	2,300,000	2,300,000
Contingency @30%	1,400,001	700,000	700,000
TOTAL Technology Split	6,000,001	3,000,000	3,000,000
Associated Costs	Total	24/25	25/26
3 x Project Managers	250,000	125,000	125,000
Payments to application suppliers	100,000	50,000	50,000
Service split design, transition and shared technologies	300,000	150,000	150,000
Project Support including procurement, finance, HR, legal and communications	150,000	75,000	75,000
Technical Assurance / Advisory	50,000	25,000	25,000
SUB TOTAL	850,000	425,000	425,000
Contingency @ 18%	150,000	75,000	75,000
TOTAL Other Costs	1,000,000	500,000	500,000
TOTAL	7,000,000	3,500,000	3,500,000

The capital programme currently includes within it the following budget/funding, which it is proposed is utilised to meet the one-off costs outlined above:

Item	Total 23/24 - 25/26 Budget available	Total Estimated 23/24 Spend	One-off Split Costs	Total Budget Remaining
Evergreening Capital	£7.839m	£0.1m	£7m	£0.739m

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It should be noted there are strict rules surrounding the capitalisation of costs and it is currently assumed all one-off costs will be capital in nature, relating to the increase in value/improvement of an intangible asset. Should this not be the case there will be a commensurate increase in one-off revenue costs.

Note that if the costs associated with decoupling and modernising the council's technology were not being incurred in the way outlined above, it is likely that alternative significant investment on aged on-premise infrastructure would be required instead.

Ongoing costs

It is anticipated there will be approx. £7.5m of revenue budget with which to fund the post-split sovereign ICT service. That assumption is made up of the following:

Budget	£m
2023/24 ICT shared budget	£5m
2023/24 ICT non-shared budget	£1m
2024/25 growth; shared budget	£1m
2024/25 growth; centrally held ICT contingency	£0.3
Total net controllable revenue budget available to fund sovereign service	£7.3m

It is likely there will be ongoing revenue impacts associated with the splitting of ICT services. These centre around:

- Additional connectivity and storage costs associated with the move to cloud;
- Reduction in on-premise data centre type costs;
- Closer alignment of spend and delivery as a result of existing the current oneSource cost sharing arrangement; and
- Potential outsourcing of the teams mentioned in 3.5.3

Although the detailed costings pertaining to each of the considerations outlined above are not fully known at this stage, there is a commitment to engineering outcomes so that they are containable within the aforementioned budgetary envelope.

At this stage, it is not yet known whether there will be any redundancy and/or TUPE costs or how much those costs might be.

Legal implications and risks:

The proposals in respect of outcomes for Havering are relatively general at this stage. Therefore, this advice aims to set out implication and risks in similarly broad terms.

It is possible that some Havering staff might transfer under TUPE to an external provider procured to deliver transactional or specialist IT services. It is also possible that this will not be the case where new services are being provided that were not being provided previously.

Where TUPE does not apply there might be redundancies, if there are no roles for those staff to take up in the new structure. Where staff have been providing a service to both councils and not being dedicated to one specific council prior to transfer, they might not be deemed to be covered by the TUPE regulations. In those circumstances, the cost of their redundancy would be met by their home borough.

It is possible that there might be more staff that are employed by Havering than there are appropriate roles for. This would lead to a risk of redundancies although where staff can be slotted into roles to mitigate against risk of redundancies this would assist.

In line with the Council's policy and the law, where there is a risk of redundancy the employer has a duty to consult with affected staff. If the proposed number of redundancies is more than twenty employees in a period of ninety days there is a requirement to consult staff collectively. Failure to consult correct

It is possible that there are some Newham staff who will TUPE to Havering following the decoupling.

Under the TUPE regulations the employer has a duty to inform employee of the transfer and consult in relations to any "measures" proposed to be taken long enough before the transfer for a consultation to take place. Employees who are not consulted may claim compensation under Regulations 15 and 16 TUPE.

Human Resources implications and risk

The Human Resources implications will depend on the detail of the hybrid IT model Havering Council adopts, therefore, an accurate workforce impact assessment cannot be determined at the present time.

A hybrid model, whereby, some services may be delivered by a partner managed service will mean that TUPE could apply for those employees currently delivering those services. If TUPE does not apply, this could lead to redundancies.

For those services that will return to Havering there will be the potential of a restructure to align these teams with Havering Council's Target Operating Model. The Council will take a collaborative approach with Newham to ensure it safeguards against workforce risks, in order to seek to retain sufficient numbers in each Council and mitigates against associated redundancy costs where possible.

Havering's Organisational Change policy and associated procedures will be followed for workforce issues.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have ‘due regard’ to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants..

Any decisions which need to be taken in furtherance of the IT service decoupling will be undertaken in accordance with the duty set out in Section 149 of the Equality Act 2010 and where appropriate full Equality Assessments will be undertaken and form part of the decision making process.

Health and Wellbeing Implications and Risks

There is potential for the health and wellbeing of individuals to be impacted by these proposals, particularly around the mental health impacts of stress through uncertainty in times of change. The programme team are very aware of this and will work with the IT leadership team, HR and Trade Unions to engage with staff positively and transparently.

When the proposals are implemented, all affected employees will be engaged in the process and fully consulted in line with the organisational change policy. There will be support available through the councils Employee Assistance Programme and if necessary mental health first aiders. Trade Union representatives will be engaged and available to support their members in meetings and individually.

The council will also ensure that any opportunities for training and education are available to employees who are affected by the changes or will be displaced to enable redeployment where possible.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

Moving our systems to cloud-based solutions will help Havering towards the goal of becoming carbon neutral by 2040.

For example, moving to virtual servers hosted in the public cloud would see a 90% reduction in carbon emission over our on-site data centre's current physical server estate.

Based on the size of our current server estate, we are creating approximately 87,660 kg of CO2 each year (this figure does not include climate control systems in the data centre). The equivalent number of servers hosted in the public cloud would be @8,766 KGs per year.

That is a net reduction of 78,894 KGs per year or the equivalent of:

- The annual energy use by about 29 average-sized homes in the UK.
- The annual emissions generated from 121 Electric Vehicles travelling 12k miles.
- The amount of CO2 generated from charging 172,320 mobile phones for a year.

Figures used for this calculation:

Carbon Intensity of Electricity: The amount of CO2 emitted per kilowatt-hour (kWh) of electricity used, on average, carbon intensity in the UK is between 0.2 kg and 0.25 kg CO2 per kWh.

Power consumption: We currently have @5 fully populated server racks using an estimated 8 kW of electricity daily.

BACKGROUND PAPERS