Appendix A

Full Business Case (FBC): NSCSO

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Approvals
By signing this document, the signatories below are confirming that they have fully reviewed the Full Business Case for New Support & Customer Services Organisation (NSCSO) project and confirm their acceptance of the completed document.

Name	Role	Signature	Date	Version
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Contents

1. Executive Summary

In June 2011 Cabinet Resources Committee approved the Outline Business Case for the NSCSO project. This recommended that the Council undertake a procurement process to identify a strategic partner for the delivery of the following services:

- Corporate Procurement;
- Customer Services;
- Estates (Building Services, Property Services, Facilities Management);
- Finance;
- Human Resources;
- Information Systems;
- Revenues and Benefits and;
- Corporate Programmes.

A 'competitive dialogue' procurement process has since been completed to identify the best strategic partner for these services. Final Tenders have been received from two bidders – BT and Capita – and the outcome of the evaluation is a recommendation that the Council proceed with Capita as the preferred bidder.

This Full Business Case demonstrates how the Final Tender from Capita enables the Council to:
- meet the unprecedented financial pressures it is facing;
- invest in these customer and support services; and
- preserve and improve on existing service levels.

Capita's Final Tender contains a range of contractual guarantees to deliver or exceed the targeted benefits from the Outline Business Case approved in June 2011. The key benefits are described below.

Financial Benefits:
The Outline Business Case set out an expectation of financial benefits from the core services totalling £40.9m over a 10 year period. This was equivalent to an 11% saving on the transferring service budgets over the contract term.

Capita's offer includes guaranteed financial benefits of £70.1m over the contract term, or 18% against the transferring service budgets. This exceeds both the Medium Term Financial Strategy (MTFS) target of £3.6m in the current Council budget and the additional savings targets of £2.7m included in the Council's budget currently out for consultation for the period 2014-16.

In addition to these savings on core services, the Capita offer includes guaranteed procurement savings of £46.9m over the contract term. These will be achieved by getting a better deal from those areas where the Council currently contracts services from third parties. Capital is also guaranteeing increased Council Tax collection rates, providing a further £8.4m over the contract term.

In total, the guaranteed cashable financial benefit from entering into a partnership with Capita would be £125.4m over a 10 year period.

Capita's proposal also includes (within the financial offer described above) approximately £15.3m revenue investment in areas such as information technology (computer hardware and software), and customer services. This investment not only enables Capita to deliver the transformation it is proposing, but also avoids the Council having to find money in the future to fund replacement technology for systems that are at or nearing the end of their useful life.

Benefits for residents:
Capita commit to providing Barnet's residents with an improved and more efficient process. This will be achieved through:

- an online 'citizen's portal' account, where a resident can see and manage all of their interactions with the Council's customer services in one place. As part of this, Capita will ensure free access to information about interactions the resident had with the new supplier of Development and Regulatory Services (such as planning, environmental health and building control) ('DRS').

- better coordination across the public sector, so that people can easily access support from all appropriate providers when necessary. As part of this, the NSCSO supplier will advocate for vulnerable people to ensure that their requests are responded to without repeat contacts being needed.

- more sophisticated analysis of the information gathered by the Council, allowing for a more detailed understanding of the needs of individuals and specific groups and tailoring of service provision accordingly.

- significant investment in best-in-class technology and staff capability, from the point of service commencement.

Benefits for Council staff:
Capita's offer includes:
- investment in more efficient tools, data and processes, learning and development;
- greater opportunities for flexible working including school hours/term time working options;
- a contractual commitment to maintain inherited service levels and increase staff satisfaction with the services provided to other areas of the Council for services such as finance and HR.

Benefits for members:
Members will receive directly relevant information about their wards and a wider summary of Borough-wide trends. Cabinet members will be able to monitor performance specific to their portfolios. Evidence of progress against strategic corporate objectives, projects and financial plans will be available to support scrutiny and governance processes.

All members will benefit from a more robust and resilient IS service supporting the technology they need to do their work.

Full policy and budgetary control and democratic oversight will be maintained

Benefits for commissioners:
Capita's proposal includes a £2.3m investment in the data gathering and storage platforms required to undertake the complex analysis required to develop policy and commissioning strategies. Complementing this, a team of specialists will be provided to analyse the data as required by commissioners.

Benefits for schools:
The contract guarantees service levels for support to schools. Schools will benefit from a dedicated account manager and a web-based Schools Portal to enable them to access information and use systems directly themselves, rather than having to requisition support from the Council for every transaction. They will also be offered a 10% reduction on price from day one.

Benefits for community organisations:
The preferred tender includes a £500,000 Community Development Fund that builds capacity and capability to deliver services through providing mentoring, training courses and forums. The supplier will also provide an online Community Facilities Database and a Community Asset strategy.

Benefits for the local economy:
The preferred tender includes a programme for helping stalled and stagnated businesses within the Borough. Capita's confidence that they can achieve an increase in business sustainability is supported by a performance measure within the contract which will have a proportion of their fee at risk.

Benefits for transferring staff[1]
The preferred bidder is committing to funding existing professional accreditations that need to be renewed and maintained. In addition to this, all managers will receive Manager Training from Capita's Learning and Development Academy. All transferring staff will benefit from a preservation of Terms and Conditions, including ongoing access to their current pension scheme.

The evaluation of the Final Tenders from BT and Capita has determined that the latter represents the best solution for the Council. This result has been reached using the objectives set out at the start of the procurement. It is recommended that Capita's Final Tender is taken forward to contract signature as the preferred bid.

The Final Tender submitted by BT did not score as highly as Capita's bid. Evaluation has shown, however, that it would acceptably deliver the Council's stated requirements. It is, therefore, recommended that the BT Tender is designated as a reserve bid, which the Council may return to should it not be able to finalise a deal with Capita.

There remains the option of discontinuing the procurement process. However if the Council chose not to complete this procurement, it would have to:

- make significant cuts to customer and support services in 2013/14 in order to meet immediate budget pressures;
- attempt to replicate the investment, technology and other solutions being proposed by Capita in order to drive out the future savings required;
- at the same time attempt to maintain service levels in existing areas and develop further its own analytical capability to shape future commissioning.

The Council does not currently have sufficient capacity or expertise to guarantee that all of this can be achieved concurrently. Capita are offering these guarantees.

Therefore the recommendation is to enter into a partnership with Capita for the delivery of NSCSO services, with the intention of them commencing services in April 2013.

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[1] These are in addition to employee rights under TUPE and the additional commitments relating to terms and conditions that the Council guaranteed to staff.

2. Introduction and Strategic Context

The London Borough of Barnet, like all other local authorities, is facing an unprecedented reduction in finances. The indications from Government are that further reductions will be made in the next Comprehensive Spending Review, extending the current period of austerity to the end of the decade. At the same time Barnet's population continues to grow, and this is likely to continue at a significant rate in the next ten years as a result of regeneration in the west of the Borough. This will lead to greater demands on frontline services, particularly those for adults and children with social care needs.

The One Barnet transformation programme was conceived against this backdrop, based around the following three principles:

1) A new relationship with citizens: services designed and delivered around customers' needs, provide the best possible customer experience, and enable customers to help themselves and each other including enabling self-service wherever possible.

2) A one public sector approach: services are in a position to support the requirements of all public sector partners and drive better multi-agency working

3) A relentless drive for efficiency: operate as efficiently as possible to minimise the cost of the service and maximise the accessibility of the service to customers; be innovative and take advantage of evolving technology, thinking and practice; maximise the value the Council achieves from all its assets (capital and revenue).

As part of this programme, the evaluation of options for the future delivery of a range of Council's customer and support services became a priority. These services are:

- Corporate Procurement;
- Customer Services;
- Estates (Building Services, Property Services, Facilities Management) ;
- Finance;
- Human Resources;
- Information Systems;
- Revenues and Benefits; and
- Corporate Programmes.

These services have a current gross cost (the baseline) of £38.8m per annum. A proportion of this cost is recouped from third parties, such as schools. These groups, which have independent funding or delegated budgets, have the discretion to buy their support from the Council or from a growing market of external providers. The remaining cost of these services is funded from the Council's base budget.

Parallel to this the demand from people to access customer services is likely to increase as a result of the predicted population growth in the borough, and the demands of an ageing population. This group of services therefore faces the dual challenges of increased demand and reducing income.

The Council has already delivered a number of internal improvement and transformation initiatives for these services. It has, however, reached the limits of its ability to deliver further savings without significant cuts and reductions in service levels. Consequently, there is a need for a fundamentally different approach that will allow the Council's strategic objectives to be delivered within the resources it has available.

In March 2011, Cabinet Resources Committee considered an options appraisal for these services. This appraisal evaluated six different options for achieving the savings and performance improvements required, and found that a strategic partnership[2] with a private sector partner would offer the greatest benefit overall. It recommended that a procurement process was initiated for the services in scope, subject to the approval of an Outline Business Case. The latter was subsequently approved by Cabinet Resources Committee in June 2011.

An Official Journal of the European Union (OJEU) notice for a competitive dialogue procurement was placed in June 2011. This was followed by a Pre-Qualification Questionnaire down-selection, which identified those bidding companies with the technical and financial standing required by the Council. Dialogue with four bidders commenced in September 2011. In February 2012, Outline Solutions from all 4 bidders were evaluated and, following Cabinet Resources Committee approval of an updated Business Case, dialogue continued with 2 bidders. On 25 November 2012 the competitive dialogue procurement process concluded with the submission of Final Tenders from BT and Capita.

These Final Tenders have been evaluated by the Council in accordance with the published evaluation criteria, and the highest scoring bidder is recommended as the Council's Preferred Bidder for the 10 year strategic partnership contract.

This Full Business Case sets out the financial and non-financial benefits offered by this Preferred Bidder in their Final Tender. These benefits exceed those forecast in the Council's Outline Business Case. This Full Business Case also identifies how the Council will assure the delivery of these benefits through the implementation and subsequent successful management of the contract.

3. Options

The March 2011 options appraisal evaluated six different delivery options[3]. The private sector strategic partnership was the highest scoring of these, based on the benefits required by the Council (which were subsequently set out in the Outline Business Case in June 2011).

Both BT and Capita have produced Final Tenders that meet, and in places exceed, the benefits in that Outline Business Case.

The table below presents five options currently available to the Council. Option 2 (proceed to contract signature with the Preferred Bidder) is the only credible option to deliver the investment and remodelling necessary to achieve the financial savings, service levels and strategic benefits that the Council requires.

The risks associated with this option are considered capable of management/mitigation and the processes for dealing with these are set out in the Risks section of this Full Business Case below.

[2] A long term partnership through which a commercial organisation takes on the management of one or more services for a Council, using its existing know-how, resources and capability and investing as required to transform processes and functionality within those services and takes an appropriate level of risk on the successful delivery of outputs and outcomes.

[3] In-house transformation; Consulting-led transformation; Shared Service with a public sector organisation; Strategic Partnership; Incremental Partnership; Joint Venture

Table 3.1 - Refresh of Options Appraisal Summary for NSCSO

Option	Advantages	Disadvantages
1. Do nothing - abandon the procurement and retain the services in-house	• The Council retains complete control over service delivery and how savings are achieved • No services are re-located • The Council would avoid the effort involved in transferring the services and setting up a contract management team • The Council would avoid the risks of poor contractor performance and poor contract management	• The Council has limited capability to secure and manage the significant investment, transformation and remodelling required for these services to preserve service levels, achieve strategic objectives and reduce cost • The services will have to be reduced in order to deliver the savings required by the Medium Term Financial Strategy, and this would severely jeopardise the ability of frontline delivery units to work effectively • The services are unlikely to contribute to any of the Council's strategic objectives of new relationship with citizens, one public sector approach or relentless drive for efficiency • The Council retains all risk relating to the quality of service delivery and how future savings are achieved • The Council would still need to invest substantially in replacing IS infrastructure that is now at the end of its useful life.
2. Proceed to contract signature on the Preferred Bidder recommendation	• The Council secures upfront investment in the technology and transformation required by the services which it is able to pay back over the life of the contract • The Council achieves, and in many places exceeds the financial and non-financial benefits required by the Outline Business Case • The Council transfers the risk of the quality of service delivery and the achievement of savings to the partner • The Council benefits from the external expertise, innovation and commercialism of a long-	• Whilst the risk of delivering these benefits will be substantially transferred to the Partner under the contract, the Council retains risk that may be broadly summarised as: (i) the partner fails to fulfil its contractual commitments or (ii) the Council does not fulfil its own obligations thus preventing the benefits from being achieved.

Option	Advantages	Disadvantages
	term strategic partnership • The Council frees itself from day to day delivery of non-core services so that it can focus on strategy, evaluation and commissioning • The Council is able to hold the service provider to account pursuant to the contractual arrangement and incentivise performance through a price/performance mechanism	
3. Proceed to contract signature on the Preferred Bidder recommendation but reduce the scope of the contract	• The Council can select those services the Council believes would benefit most from outsourcing or carry least risk	• The Public Contracts Regulations (Regulation 18(29)) limits what an authority can do following close of dialogue to "clarify and confirm commitments" – reduction in scope would contravene this. • The size of the contract provided the bidders with scope to offer the Council significant financial and non-financial benefits. Reduction in scope would require recalibration of deal and affect the attractiveness of the business case to both parties, an d potentially result in the preferred bidder walking away and initiating a legal challenge • Any reduction in scope of service also has to be considered in the context of the European Regulations governing procurement. Removing services from scope widens the field of companies who would have viewed themselves as having the requisite capability to deliver the contract, and there is a risk that such companies would bring legal action against the Council for denying them opportunity to provide the reduced scope of services. This would result in the current contract being suspended or deemed void and the Council would have to undertake a further procurement exercise incurring further costs and time delays

Option	Advantages	Disadvantages
4. Abandon this procurement and research alternative delivery models	• Council would avoid the effort involved in transferring the services and setting up a contract management team • Council would avoid the risks of poor contractor performance and poor contract management by the Council	• This has the same disadvantages as option 1 • This would incur more funding from the Council's transformation reserve than is budgeted for • This would further delay the timetable for releasing the savings required by the MTFS leading to immediate pressure on front line services over the next 12-24 months; • The Council would need to build in substantial provision for the risk of not achieving the planned benefits.

4. Expected Benefits

The Outline Business Case approved by Cabinet Resources Committee on 29 June 2011 identified a number of benefits that the project would be required to deliver, in the following categories:

- Financial benefits
- Strategic benefits
- "A new relationship with citizens"
- "A one public sector approach"
- "A relentless drive for efficiency"

The benefits committed by Capita are summarised below in Table 4.1. Within the contract, these are evidenced and supported by detailed service delivery and resourcing plans.

Table 4.1 Benefits provided by Capita's offer

Outline business case (June 2011)	Contractual commitments in Capita's Final Tender
Financial benefits: Deliver a minimum saving of 11% on the cost to the Council over the ten years	Benefits exceeded: • Guaranteed Core Services Price Reduction Years 1-10 of 18.1% (£70m), starting at 15.5% in 2013/14 • Guaranteed Operational Net Cost Reduction by Year 10 of 45% • Guaranteed aggregate Net Financial Benefit Years 1-10 of £125.4m Protection for future change: • A commitment to absorb £1.5m of changes required as a result of any relevant new legislation over the life of the contract • Absorption of 10% additional key volumes e.g. contact centre demand; e.g. changes in Council tax property base, number of invoices processed etc. without increasing the price. • If universal credit results in benefits processing moving away from the Council, this will result in a volume adjustment to the

Outline business case (June 2011)	Contractual commitments in Capita's Final Tender
	price which will provide a proportionate saving to the Council • Obligation to provide options to reduce service fees in response to Council budgetary constraints, with reprioritisation as the first consideration
Strategic benefits	Officers and members will have access to: • a much wider range of data; • the means by which this can be turned into information and insight that can then be used to improve service delivery across the Council, and better commission projects targeted at making Barnet a more successful and prosperous suburb. This will be underpinned by £2.3m investment in the technology required to collect and store data and a 4.3fte insight team. A dedicated Information Service will provide much more sophisticated and tailored ward and management information to members enabling them to take better decisions in respect of their ward constituents and also for the Borough as a whole. Improve local business sustainability, measured via the survival rates of VAT registered businesses after 3 years, with fee at risk if this is not achieved. Meet the London Procurement Pledge when placing contracts helping to promote youth employment within the Borough through apprenticeships, graduate placements. Facilitate Local Business Development Boards of local suppliers to increase the visibility of opportunities and encourage local business to work together to respond to these opportunities. Provide training, mentoring, work experience and other education initiatives for school pupils to improve employability guided by insight drawn from surveys of the destination of school leavers to measure the impact and refine the support as required. Work alongside other local government bodies/charities to identify revenue-generating ideas to improve the quality of services for the community (e.g. combined regeneration bids for grant money with local housing associations, lottery funding applications to support local children's charities).
Deliver benefits in support of New Relationship With Citizens	Residents will be able to view their interactions with the Council, obtain information easily and self-serve, underpinned by £3m investment in the development of customer relationship management technology, including an online account. The Service Provider will act as an advocate for the Authority's vulnerable customers, ensuring that they are put in contact with the correct Service Provider and that their enquiry is fulfilled without the

Outline business case (June 2011)	Contractual commitments in Capita's Final Tender
	need to make repeat contacts. Commitment to reach customer satisfaction levels of 80% by year 2, 85% by year 3 and 90% by year 5. All interactions with Barnet's residents will be recorded in one place to give both them and the Council a richer understanding of their needs at any given time, particularly in relation to key 'Life Events' (birth, deaths, illness, unemployment, etc.). This is underpinned by £1.4m investment in a CRM system, £2.16m in a Single Customer View system and £1.2m investment in a Knowledge Management system. Residents will have the opportunity to be involved in the development and redesign of services they receive, with £720K being allocated to support this. Commitment to reducing/diverting demand for the direct provision of frontline services, whilst at the same time preserving/improving the speed and effectiveness of the measures in place to resolve residents' needs (Capita's fee is at risk for failure to hit a range of targets including customer satisfaction, first contact resolution etc.) Before month 18 Capita will have developed outline locality strategies in relation to all the wards in Barnet.
Deliver benefits in support of One Public Sector approach	The single view of the customer will be used to help co-ordinate public service in the Borough. A partnership approach will be developed so that public, private and third sector support can be accessed through a single route. This will be underpinned by a Community Development Fund that builds capacity and capability through providing mentoring, training courses and support. Traded services offer to schools and other third parties will be continued and enhanced. Customer and other support services are extendable to other partners. A transitional service will be provided to DRS, including access to the customer services platform, to support integrated working and support to the customer. An online Community Facilities Database will be developed, as will a Community Asset strategy. The latter will focus on the use of community assets, how these assets may pay for themselves, how they can support localism and other policies and how they can meet the requirements of Community Groups.

Outline business case (June 2011)	**Contractual commitments in Capita's Final Tender**
	Within 6 months Capita will develop a locality strategy for Colindale, aligned to the customer access strategy, to support integrated service delivery in this area of the Borough.
Deliver benefits in support of Relentless Drive for Efficiency	Guaranteed maintenance of inherited performance and service levels throughout the contract, with improvements in key areas such as IT incident resolution, pace of accounts closure, and user satisfaction across all support services. Council staff in frontline services will be better supported to do their jobs with investment in tools, data and processes, learning and development, accommodation, and a flexible working initiative called the 'Agile Workplace Programme'. Moving away from fixed IT infrastructure to externally hosted and shared platforms, underpinned by a £1.5m investment in data centre migration, freeing up physical office space and allowing payment to be based on usage. Implement a Members Out of Hours IT support service within the first 12 months, as part of the dedicated members IT service available from service commencement. Continuous improvement through the life of the contract supported by a combination of benchmarking and annual service reviews, transformation business cases and increasingly challenging performance targets over the life of the partnership. There are also commitments to extend the Customer Services Organisation to a broader range of Council services. There is a proposal for further savings, to be delivered by taking a managing agent role with the Council's other major delivery partnerships. Collaboration with these partners to extract further efficiency savings is also proposed. Capita have also offered a commitment to the agreement of wider corporate outcome-based targets once the services are transformed and stabilised. Capita will respond with options to all future Council budget savings requirements, with reprioritisation as the first approach. Capita will develop a property strategy allowing the Council (if it chooses) to exit NLBP 4 at the lease break date of Nov 2015 and NLBP 2 in 2020, taking advantage of any opportunity (with the agreement of the Council) to relocate staff to other accommodation offering better value for money at the time for the projected size of workforce.

MANAGING AGENT PROPOSAL

Capita's offer also includes a proposal to, through the activities of the transferring procurement function, support the Council's supplier management activities across the wider network of delivery partners.

Capita would act as a 'Managing Agent', on behalf of the Council: the Council's Commissioning Group would still retain all direct contract or service level agreement relationships with its delivery partners, but Capita would support the Commissioning Group in procuring, performance managing and ensuring accountability of all key internal and external partners against targeted Council outcomes.

For externalised partnerships the Managing Agent would assist in:

- aligning delivery partner specifications and contractual requirements with the Council's strategic objectives;
- promoting collaboration between delivery units to achieve efficiencies that would be shared with the Council as client;
- optimising the right mix of provision between internal, external and social enterprises;
- developing the local economy using capacity building activities for local firms and third sector organisations (thus better enabling them to become part of the Council's supply chain);
- optimising the usage and deployment of shared supply chains to generate efficiencies that would otherwise not be apparent to the individual delivery partner organisations.

For internal delivery units this role could also extend to:

- supporting cultural change;
- driving continuous improvement;
- providing the technology platform, commercial know-how and reporting toolsets to enable each internal delivery unit to demonstrate the same level of accountability as externalised services.

Capita would bring additional commercial and contract management expertise, transformation capability and the ability to extend its own technology implementations for the transferring services into other areas of the Council where it would be beneficial to do so.

Benefits would take the form of:

- savings across the Council's wider supply chain – based on their assessment of the addressable spend associated with these services, Capita have proposed a gainshare model of savings and are prepared to guarantee £20m of such savings to the Council over the 10 year term.
- greater assurance of delivery across the range of partnerships – Capita would aim to manage, maintain and improve the performance of the relevant contracts. Clearly the responsibility for delivering this performance rests with the partners themselves, but Capita would be contractually accountable to the Commissioning Group for its success in managing those suppliers.

However there are a number of factors over which the Council should obtain certainty before commissioning this role:

- the Council's Commissioning Group roles are still in the process of being filled and therefore the precise 'best-fit' between a Managing Agent and client-side structure is yet to be determined;
- the addressable spend assumptions upon which the Managing Agent savings commitment is based may change as the budget for 2013/14 and when the outcome of the DRS procurement is finalised;
- the implications of Capita acting as managing agent to the DRS partner may differ depending on which company is successful in that procurement process.
- The legal implications in terms of compliance with restrictions under procurement law, prevention of conflicts of interest and a need to dovetail with existing signed contractual arrangements.

The contract developed through dialogue includes a comprehensive business case-led project approval process. This process allows extensive due diligence, risk assessment and challenge through a series of governance processes to make sure that the proposal is robust, deliverable and fits precisely with the new Council structure.

It is therefore recommended that Capita is instructed to prepare a business case that sets out in detail the Managing Agent approach and benefits in more detail, allowing a decision to be made on implementation following the appointment of the DRS preferred bidder (but prior to the planned service transfer dates for NSCSO).

The benefits relating to the Managing Agent proposal have consequently been excluded from the financial appraisal in Section 6.

5. Equalities Impact Assessments

Equality and diversity issues are a mandatory consideration in decision making by the council pursuant to the Equality Act 2010. This means the council and all other organisations acting on its behalf must have due regard to the equality duties when exercising a public function.

The three limbs of the public sector equality duty involve the need:
• To eliminate discrimination;
• To advance equality of opportunity by removing disadvantages from particular groups, meeting the needs of particular groups and encouraging under-represented groups to participate in public life; and
• To foster good relations between those sharing and those not sharing protected characteristics by tackling prejudice and promoting understanding.

The duty should be applied before a decision is made and be part of the decision-making process.

The protected characteristics under Equalities legislation are: Age, Disability, Gender Reassignment, Marital status, Pregnancy and maternity (including teenage parents), Race, Religion or belief, Sex, Sexual Orientation.

The legal terms and conditions which will be entered into between the Council and Capita contain specific contractual obligations on Capita to assist the Council to satisfy its Public Sector Equality Duty. These provisions include, that insofar as the services constitutes the exercise of a public function, the service provider (and any service provider related party) shall in exercising that function, comply with the Public Sector Equality Duty. The legal terms and conditions contain express contractual obligations which allow the council to monitor and intervene (including council "step in" to deliver a function should it need to do so) to ensure that the council can satisfy its Public Sector Equality Duty. The contract also requires Capita to observe the Council's own equalities policy requirements.

The Council has assessed the staffing and service changes being proposed by Capita as part of its Final Tender, and considered whether it will have an impact on customers or employees with any of the protected characteristics in terms of three limbs of the public sector equality duty – discrimination, equality of opportunity, and good relations.

Four equalities impact assessments have been completed by the Council:
• Customer (covering changes to the three public facing services, Customer Services, Revenues & Benefits and Estates)
• Employee

Having considered these issues in detail, it is the Council's view that the overall impact on all groups with protected characteristics in the borough in terms of their access to and use of these services, the council's ability to tackle discrimination and advance equality of opportunity, is likely to be positive. Where there are potentially negative impacts, there are mitigations proposed by Capita or the Council. There is likely to be a neutral impact on good relations between those sharing and those not sharing protected characteristics.

In relation to the impact on staff with protected characteristics, it is the council's view that the overall impact on employees with protected characteristics will be neutral.

These assessments will be kept under review throughout the mobilisation and contract period to:

- identify any changes
- ensure that mitigating actions identified are undertaken or planned in
- ensure that any necessary consultation and communication activities are taken with regard to specific change proposals, prior to any implementation decisions being taken

Throughout the life of the contract, all service change proposals from Capita will need to be properly considered to ensure that due regard has been given to the Equality Duty, including appropriate publicity and consultation and equalities impact assessments, prior to any changes being implemented, with the results informing Council approval and any subsequent decision whether to put them into effect or not. Indeed, Capita has explicitly committed within its Final Tender to undertake all Equalities Impact Assessments required.

The full EIAs are provided as Appendix B to the Cabinet report.

6. Risks

Introduction

The commercial case for this partnership is supported by a contract under which a number of risks relating to the delivery of the benefits set out in Section 5 are transferred in whole, or in part, to the NSCSO partner. The Council has followed the principle of transferring only those risks that are economic to transfer, testing each of the key areas as part of the competitive dialogue process. A summary of the key commercial risk areas identified by the Council is provided in the table below, following which the proposed contractual protection and/or mitigating activity is described in more detail.

Table 5.1: Key Commercial Risk Areas

Risk Area	**Potential Causes of Failure**	**Owner**	**Consequence of Failure**
Financing	Insolvency Change in ownership Inability to source investment capital Over-dependency on procurement savings	Partner Partner Partner Council	Low Level – distracted management, investment delayed, resources diverted to areas of greatest financial liability High Level – company collapses, abandons partnership
Financial Probity	Lack of transparency in partnership finances Uncertainty over what is in or outside the core price and being charged 'extra' Weak commercial terms for additionally commissioned projects e.g. guarantees and gainshare Unilateral exploitation of intellectual property by partner	Partner/Council Council Council Partner Council/Partner	Low Level – Council cannot establish the VFM of individual projects High Level – Council is susceptible to fraud and/or mis-reporting of costs, income, project gain share and overall financial performance of the partnership
Ongoing value for money of core service	Inflexible design that does not respond to future customer needs Inadequate technology refresh capability / resource Change in Council priorities/policies Inability to reduce annual charge to meet further budget reduction demands	Partner Partner/Council Council Partner/Council	Low Level – Services do not achieve expected productivity gains over life of partnership High Level – Council unable to deliver revised strategic agenda
Core Service Performance/	Inadequate specification	Council	Low Level – service quality reduces

Risk Area	Potential Causes of Failure	Owner	Consequence of Failure
Availability	Inadequate design and/or methods Inadequate resourcing	Partner Partner	High Level –failure/outages causes financial loss and/or severe impact upon service users
Resilience	Force majeure event Inadequate business continuity arrangements Inadequate transition arrangements Inadequate exit arrangements	Council Partner Partner Partner	Low Level – Council requires additional resource to manage handover on expiry High Level – Council suffers major / extended service outage
Volume / change in demand	Increase in demand as a result of demographic Changes Unplanned redirection of or generation of demand by other delivery partners Increase in failure demand	Council Partner/Council Partner	Low Level - Service Unit cost does not deliver VFM as demand reduces High Level – Partnership becomes uneconomic for NSCSO partner
Commissioned Projects	Inadequate design Inadequate commissioning Lack of collaboration between delivery partners	Partner Council/Partner Council/Partner	Low Level – Projects achieve outputs but overall outcomes not delivered High Level – unable to commission, or failure of complex projects due to conflicting delivery partner interests

FINANCING

Capita has planned investment of £17.5m to transform the services. This investment will be used to fund a combination of:

- Technology implementation;
- Process re-engineering;
- Change management; and
- Staff redeployment/redundancy costs.

This investment will be made by the NSCSO for the most part in the early years of the partnership and recovered through the core service payments made by the Council.

Individual projects commissioned by the Council throughout the life of the partnership will in general be developed on a risk reward basis, with payments dependent upon delivery of specified benefits and outcomes. This means that for a significant proportion of the partnership the Partner will be required to run a level of working capital/project finance before becoming cash positive in later years. This is not unusual in strategic partnerships but the Council will wish to be assured that (i) it has up to date information at all times on the financial standing of the partner and (ii) appropriate protections are in place in the event that there is a material deterioration.

The Council has already undertaken a test of financial standing as part of the pre-qualification process and this has been updated for the latest financial information reported by Capita The Council is satisfied that there has been no material adverse change in the financial standing of Capita in the period between pre-qualification and the date of this report.]

In the event that the financial position of the partner deteriorates in the future, the mitigations in place are as follows:

Financial Distress: If the partner reports a profits warning or similar to the Stock Exchange, or if key financial rations deteriorate beyond specific thresholds then the Council may require the partner to provide and enact a plan to ensure continuity of service provision to the Council. This intervention might be operational or commercial in nature depending upon the circumstances of the distress event and any such plan will require the Council's approval.

If the Distress were to continue and result in an insolvency of the partner or one of its key sub-contractors then the Council may rely upon a **Parent Company Guarantee** (PCG) provided by the Partner's ultimate owner. The existence of the PCG forces Capita Group as parent to ensure the obligations of the partner are delivered – i.e. it cannot get out of the contract simply by liquidating the relevant subsidiary.

In the event of insolvency however the Council does have the **ability to terminate**. Whilst any settlement on termination may involve some payment to the Partner for assets which the Council wants to acquire in order to continue service delivery (and where these have not already been fully paid for through previous service payments), amounts due to the Council for e.g. re-procurement of a replacement provider etc. may be set off against these sums, minimising the Council's financial exposure.

Deal Structure: The Council has required bidders to provide a balanced financial offer with separate targeted levels of benefits from core services operational costs, procurement spend reductions and other non-core benefits. No one area of benefits is subsidised by another and so there is less risk of the partnership failing due to over-reliance on one activity.

CORE SERVICE PERFORMANCE / AVAILABILITY

The evaluation process reviewed the operational and commercial underpinning behind each substantive commitment made by bidders. In doing so the Council has satisfied itself that the service standards and are capable of being delivered by the solution put forward by the preferred bidder. To incentivise this delivery throughout the period of the partnership, the Council has the following remedies available, in ascending order of impact.

The lowest level issues may be dealt with through the **partnership governance** processes. These processes include the creation of an **Operations Board**, which will be the regular forum to discuss general performance against performance indicators (PIs), key performance indicators (KPIs) and general obligations of the Partner. The Contract obliges the partner to monitor the PIs and KPIs and report this performance to the Operations Board. Were an element of performance to be unsatisfactory it would be this Board that recommends any remedial activity.

If performance against KPIs does not reach the required standard then a **Price Performance Mechanism** will be used to apply deductions to the monthly service charge. The amount of any individual deduction will depend upon the severity, duration and relative importance of the failure. Overall, Capita has put at risk 12% of its core services fee to the achievement of KPI targets, with an annual deduction cap and termination point at 8% of its fee. The mechanism also includes a ratchet, which increases the level of deductions if the failure persists. The basket of KPIs covers all eight service areas in scope. If the failure is so severe as to materially adversely affect the Council's ability to carry on its business then the entirety of that element of the service charge will be deducted (**no-service no-fee principle**).

If performance against a particular component of service deteriorates to a point where the Council would wish to temporarily **Step-In** to manage the delivery of the service whilst the Partner resolves the issues causing the problem then it may do so, reclaiming the cost of such step-in from the Partner. This ensures the Council is not left in a position where a failing service is not remedied.

The final remedy in the event of material or persistent breaching of its obligations by the Partner is **Termination**. This may be in whole or in part. If the Partner is terminated in the way then it is liable to reimburse the Council for its reasonable costs for re-procurement.

This series of escalatory actions ensures the Council always has a proportionate remedy available to it in the event performance not being at the required levels. The Council will also be able to enforce similar provisions on behalf of the Borough's schools (who themselves will have the discretion to opt out and source their own support services - as they are able to do currently)

Where a failure in Capita performance leads to a direct financial loss on the part of the Council, the contract allows the Council to claim this back from Capita.

COMMISSIONED PROJECTS

There is potential for the NSCSO partner to play a significant part in delivering commissions and projects on behalf of the Council, either alone or in collaboration with other delivery partners. Such projects will be commissioned according to circumstances are impossible to specify in detail at the outset of the partnership and hence the Council must create a framework for approving projects and managing the benefits that ensures each delivers value for money and the partner(s) take on an appropriate share of the risk of achieving the project benefits.

The measures put in place to ensure this are:

No exclusivity – the NSCSO partner will be able to propose projects to the Council at any stage, but the Council will retain the right to commission from elsewhere. This decision may be taken at the outset of a project or for example following the acceptance of an outline or full business case.

Project Approval Procedure – set out in detail as a schedule to the contract this procedure ensures:

(i) standardised business case based methodology for generating, assessing and approving projects;
(ii) project benefits and the processes for realising them defined at early stage;

MANAGING AGENT

Where the Council requires a number of organisations to work together, the NSCSO partner may be tasked with integrating their work and promoting effective collaboration. This transfers a significant element of the risk of conflicting partner objectives, disputes or other inefficiencies in the supply chain to the NSCSO partner.

RESILIENCE

Various aspects of business continuity and resilience become issues throughout the partnership - on service transfer, through transformation, during stable operation of the chosen model and finally on hand back/handover at the end of the partnership.

The Council's protection in each of these stages is provided by:

- Contractual obligation to deliver key performance indicators from the date of service transfer until the final day of the partnership. Capita has committed 12% of its annual core services fee to the achievement of Key Performance Indicator (KPI) targets, with a deduction cap and termination point at 8% of its fee. This means that fee deductions can be made by the Council if performance targets are not hit. The basket of KPIs covers all eight service areas in scope;
- Contractual obligation to provide business continuity and specifically preserve the ability of the Council to continue to deliver the services at the end of the partnership. Contractual obligation for the provider to prepare a business continuity plan for its services and refresh this regularly.

It is worth noting that currently the Council's servers are located within the NLBP campus. The proposed solution includes a transition to off-site storage with redundancy/resilience built in.

ONGOING VALUE FOR MONEY

Capita's proposal provides an immediate reduction of 15% on the baseline cost of core services and 18% overall over the life of the partnership. This is a net figure (i.e. after recovering the costs of transformation and partner overhead/profit) and at the end of the contract the operating cost of the services would be 45% lower than the comparable baseline. This is all due to the initial transformative activity.

The NSCSO partner is incentivised to continue to review target service levels and search for further value for money improvements during the whole life of the contract. Key components of the contract supporting this are:

(i) **Annual Service Review** – this is a process that aligns each year with the Council's budget cycle. The Council will identify any change to the MTFS or annual savings targets that impact upon the Partnership and inform the bidder of any changes to the trajectory of savings required. The Review will be informed by a report on prior year performance by the Partner with comparison to available industry standards. In circumstances where the Council believes performance is not delivering best value it can serve an efficiency notice requiring the Partner to build in activities to improve efficiency in the relevant areas into the following year's annual service plan.

(ii) **Continuous Improvement Plan** – The Contract includes a continuous improvement plan with obligations for the NSCSO partner to identify opportunities for improvement through the life of the partnership

(iii) **Managing Agent** - the NSCSO Partner has committed to achieving a target of £20m savings over and above those which are guaranteed by other delivery partners across their respective budgets. This will incentivise collaboration and cross-cutting efficiency activity throughout the term of the partnership.

(iv) **Review Points** – The Council may change its priorities over the life of the partnership. At the end of years 3 and 6 respectively the Council will undertake an Outcome Review and the results of this will inform a Partner requirement to develop options for reducing cost and/or developing services further in line with the Council's strategic objectives at the time. For the latter, the incentivisation will include a subsequent decision by the Council whether to extend or re-procure the partnership prior to the end of the 10 year initial term

(v) **Uplifts in required performance**: Capita have committed to (at a minimum) maintain the performance of the services against the KPIs for the duration of the partnership and in a number of cases have made commitment to increasing these levels over the same period. If a benchmarking review determines that there is potential to improve service value for money through increased performance then Capita will be obliged to make proposals to secure this improved VFM.

VOLUMES & CHANGES IN DEMAND

The Council will, through the proposals included in its budget and business plan, become an organisation that directly employs significantly fewer staff over the next few years. As a consequence, the need for support services to the retained organisation will decrease in volume. This presents risk in the event that the provider of support cannot proportionately scale down the cost of its services. This is particularly the case in terms of major application licences and IT platform costs. The Council evaluation team has tested the scalability of solution proposed by Capita and found this to be robust. Capita has offered a tolerance of up to 10% across a range of volume variables within which the price will not change.

Capita have identified the price impact of such increases in activity as part of their financial modelling so that the Council can model the sensitivities (see Section 8 of this business case for more detail)

The additional customer contact that would trigger a volume adjustment is through telephone volumes (i.e. excluding web, email and face to face).

Upwards pressure on contact centre volumes can come from a number of sources – including the Partner's own failure. The Council is protected against the latter through:

(i) The price performance mechanism which includes measures such as the proportion of issues dealt with at the first point of contact and customer satisfaction ratings;
(ii) The partner does not get an automatic increase in prices as a result of tolerances being breached but has to mitigate, offer reprioritisation options for the Council and if neither of those routes are possible it then has to justify to the Council the extent of the cost increase as part of the change control procedure;
(iii) The Council has a right access to the supporting volumes data and can audit whether the claims of the partner are accurate.

FINANCIAL PROBITY
The Council has secured a fixed price for the delivery of the specified core services.

However:
(i) this price will change due to inflationary (indexation) adjustments on an annual basis;
(ii) the price may change if the Council requires the scope or standards of service to change;
(iii) projects and commissions will require new costed business cases from time to time;
(iv) the Council will wish to avoid any excessive profiteering by the partner through sharing of overall returns;
(v) foreseeable but as yet not fully defined issues such as the introduction of Universal Credit will require a change in scope and therefore cost and the Council needs to ensure that any changes to cost are reasonable;
(vi) unplanned but contractually possible events such as early termination would bring costs for both sides and the Council will wish have certainty over its exposure in such circumstances.

In order to protect itself the Council will need to have transparency of financial information and the measures put in place to provide this are:
(i) inclusion of detailed financial model in the contract, including compensation on termination calculations
(ii) volumetric algorithms to cater for foreseeable events as well as demographic changes
(iii) open book accounting requirement for relevant partner costs
(iv) Council the Council has audit access rights to establish the source of any cost charged to the partnership
(v) the contract has a 'super profits' clause requiring any partner return over an agreed threshold to be shared with the Council
(vi) the contract has schedules of day rates to inform the costing of projects and other ad-hoc activity;
(vii) the contract has a weighted index for inflation that recognises the proportionate split between costs affected by wage/price inflation (and uninflated costs). This provides certainty over any annual service price rises in time to be incorporated into the Council's own budget processes.

Transparency of information will also help resolve any disputes over the level of benefits achieved by Capita. Before agreeing each business case put forward for a procurement or transformational saving the Council will require a detailed benefits realisation plan with well-defined measures of service outcomes and clarity as to what can and cannot be counted towards a financial target.

7. Service Location Changes and Headcount Reduction

Capita's proposals involve a significant use of existing centres of excellence around the country to deliver those elements of services that do not require face to face delivery in Barnet thus be in a position to pass on economies of scale savings within their financial offer to the Council; and performance improvements that result from service specialisation.

Inevitably this means that a substantial number of roles will no longer be delivered from within Barnet and table 6.1 overleaf shows the planned changes in staffing profile over the life of the partnership. The reduction in staffing levels is facilitated through introduction of new technology and increased automation amongst other changes, and Capita's commitment to performance standards as detailed above, and employee support detailed below, will ensure that this is managed effectively.

Capita has many examples of co-locating client operations, whilst retaining the individual and distinct ethos and branding of each client. Therefore the services to Barnet and staff who work on them will follow a distinct Barnet approach, regardless of physical location.

Support for transferring employees includes the following:

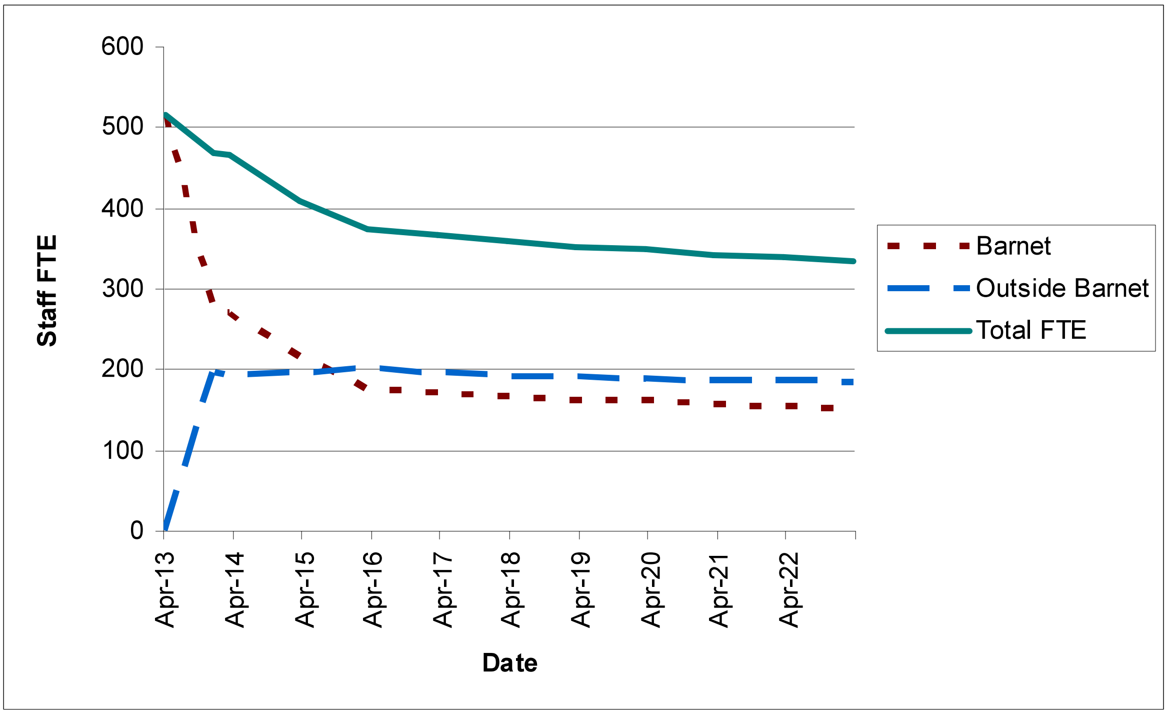
- Full transition communication and engagement plan to integrate staff into new organisation quickly and effectively
- Minimising the impact of redundancy through growth into other partner organisations, redeployment throughout other Capita businesses, managing vacancies and temporary staff and natural shrinkage
- Occupational Health and Employee Assistance Programme
- Comprehensive training and development opportunities
- Undertaking a staff satisfaction survey within 6 months of the Service Transfer Date and annually thereafter, and putting in place a remediation plan with the staff forum to address issues identified where satisfaction decreases by more than 5%

Table 6.1 NSCSO Staff Numbers

		Transferring 01-04-13	Dec-13		Mar-14		Mar-15		Mar-16		Mar-23	
Service	**Proposed non-Barnet Locations**	**FTE including Vacancy**	**Barnet**	**Rest of UK**	**Barnet**	**Rest of UK**	**Barnet**	**Rest of UK**	**Barnet**	**Rest of UK**	**Barnet**	**Rest of UK**
Customer Services	**Darwen**	83.84	19.6	61.9	19.2	59.2	18.5	54.25	18.5	53.25	18.5	52.25
Revs & Bens	**Bromley; Blackburn**	126.53	3	109.06	3	109.06	2	103.56	2	98.56	2	88.56
HR	**Banstead; Belfast; Carlisle**	75.28	43.56	26.21	43.56	25.71	11.82	36.89	11.82	36.68	11.41	32.4
Finance	**Swindon; Sheffield**	89.27	79.72	0	79.72	0	70.55	0	50.73	6.68	41.57	5.4
IS/ICT	**Chippenham; Chertsey**	55.3	31.59	6	28.59	9	25.25	9	22.61	9	13.14	9
Estates	**N/A**	62.02	53.02	0	53.02	0	49.81	0	46.81	0	46.81	0
Procurement	**Southampton**	16.67	15.67	0	15.67	0	14.67	0	8	5.67	7	4.67
Corporate Programmes	**N/A**	5.89	4.89	0	4.89	0	3.89	0	3.89	0	3.89	0
Partnership Governance	**N/A**	0	14.3	0	14.3	0	9.3	0	5.15	0	2.5	0
Sub-total			**265.35**	**203.17**	**261.95**	**202.97**	**205.79**	**203.7**	**169.51**	**209.84**	**146.82**	**192.28**
Totals		**514.8**	**468.52**		**464.92**		**409.49**		**379.35**		**339.1**	

The graph in 6.2 provides a pictorial illustration of the pace of change in staff levels across the life span of the 10 year contract, this is taken from the data in table 6.1.above.

Graph 6.2 NSCSO Staff Numbers (Pictorial)



From a total of 514.8FTE at the point of transfer, one year into the contract there is a reduction of posts shown to 468.52FTE across the contract.

Roles start to move out of the Borough between months 5 and 7 with the first movement in services being Customer Services (61.9FTE), Revenues and Benefits (109.06FTE) and HR (26.21FTE). There will be a number of posts in these services remaining in the Borough totalling 66.16FTE at the end of year one.

At the end of the 10 year contract there will be a total of 334.21FTE across the contract and 151.93FTE based in the Borough of Barnet.

8. Financial Appraisal

Financial implications
The **baseline budget** for the services in scope for NSCSO is £41.8m (expenditure). Of the total budget, £1.1m needs to be allocated to other One Barnet projects, as an element of support services are attributable to legal and Development and Regulatory Services (DRS). £1.9m is allocated to retained client functions, leaving a baseline of £38.8m attributable to the NSCSO contract. This is set out in the table below:

Table 7.1 Baseline

Expenditure baseline	£m
Baseline for in scope services	41.8
Attributable to legal, DRS	(1.1)
Retained client	(1.9)
NSCSO baseline	38.8

The services in scope for NSCSO include income budgets totalling £11.9m per annum.

The **Medium Term Financial Strategy (MTFS)** agreed by Council in March 2012 included savings attributable to NSCSO totalling £3.6m per annum. This reflected the prudent estimate of benefits from the NSCSO business case. Since that point, Cabinet on 7th November 2012 set out additional savings requirements of £2.7m for NSCSO for the years 2014/15 and 2015/16, reflecting the likely further cuts to public expenditure that will follow from the existing 2010 spending review settlement. So when taken together, the total savings requirement for NSCSO over the period 2013 to 2016 is £6.3m.

The guaranteed financial benefits arising from the preferred bidder recommendation include savings on the core transferring services (reduction in expenditure and increases in income), procurement savings on contracting activity across other Council services, and increases in collection of Council Tax. These financial benefits are as follows:

Table 7.2 MTFS Impact

Guaranteed savings	Total over 10 years (£m)	Annual equivalent saving (£m)
Savings on core transferring services	70.1	7.01
Procurement savings	46.9	4.69
Council Tax	8.4	0.84
Total	125.4	12.54

The table above demonstrates that the original savings target derived from the Outline Business Case (£3.6m) and the additional savings target included in the Cabinet report of 7th November (£2.7m) totalling £6.3m per annum are exceeded by the "core" financial benefits in the Capita bid of £7.01m. Over and above these savings on core services, there are additional benefits guaranteed on Council Tax collection and procurement which will further support the achievement of future MTFS savings.

A baseline of £90m per annum of contractual expenditure has been set against which bidders have guaranteed savings on procurement activity. This baseline excludes spend that will transfer to NSCSO (for example IT contracts), spend attributable to DRS and other One Barnet projects, and also excludes spend that is funded through schools or the Housing

Revenue account (as savings on these areas would not represent a saving for the Council's general fund).

It is important to note that there is a dependency on the Council to allow the NSCSO provider to manage contract letting activity across the organisation to enable the procurement savings guarantee of £46.9m to be realised. The Council has the opportunity to decline business cases for procurement activity that Capita put forward, and Capita need to ensure that business cases meet minimum acceptance criteria. However, if a significant proportion of business cases are declined by the Council, Capita will have the right to re-negotiate this element of the savings guarantee.

The savings on core services as set out above (£70m over 10 years) will be directly factored into the MTFS to support the requirement for savings over the period 2013-16. Due to the points set out in the paragraph above, additional guarantees on procurement savings will not be directly factored into the MTFS at this stage, but will help services (particularly Adults and Children's services) to meet their additional savings targets beyond 2015.

Additional income from Council Tax collection is set against the Council's overall collection rate for Council Tax, rather than the "in year" collection rate. Increasing the "in year" collection rate does not represent an overall saving to the Council unless the total cash collected over time increases. The Council's baseline for collection is approximately 98.5% and guaranteed benefits included in the table above represent increases above this level. Additional income here has not yet been factored into future MTFS projections, but these guarantees give the Council some headroom in terms of future income collection that will support future budget setting.

Partnership Investment, contracts and assets - Approximately £15.3million of initial investment is to be provided to transition and then transform the services. This investment is spread across the services as follows. The IS investment includes the refresh and replacement of technology that has benefits across all NSCSO services (as well as the wider council).

Table 7.3 Partnership Investment Summary

Service Area	Investment (£)
Customer Service	887,227
Procurement	119,329
Revs and Bens	298,422
Finance	788,000
Human Resources	1,541,491
Pensions	178,192
Health & Safety	35,050
Estates	4,490,000
Information Systems	6,973,478
Total investment in core services	**15,311,190**
Partnership Governance - transformation and other costs not directly attributed to core services	2,238,808
Total investment	**17,549,998**

On service transfer the Council will hand over to the partnership a range of contracts and assets used currently in the provision of the services. Once contracts are novated the partner will manage each contract with the relevant suppliers and then in the future may renew, replace or otherwise build into their own supply chain as necessary to provide the transformed services. The Council will contribute the assets currently used in the provision of the specific NSCSO services to the partnership. This allows the Council to transfer ownership risk to Capita whilst at the same time reducing their initial investment requirement and so allowing them to reduce the price to the Council. Some of the assets will be transferred in their entirety whilst for others (primarily those with an expected life and Council need beyond the planned duration of the partnership). Capita will be granted the ability to use the assets for the duration of the partnership without ownership transferring. A detailed asset register with the assets categorised in this way has been prepared and was available to bidders through the dialogue process. The Council has the option to acquire from the partner such assets as it needs to continue the services following any form of termination of the partnership. Where any assets used at the point of termination are shared (for example IT platforms acquired through the course of the partnership that are used to service other Capita clients), the Council will be granted access to use these on reasonable commercial terms.

Project costs have been funded from the Council's transformation reserve. Project costs are expected to total £2.1m by April 2013 when the project will be completed.

Capital budgets associated with IT investment have been included in the NSCSO baseline, and these total £3.4m. These represent unspent budgets in respect of IT refresh and information management which will become the responsibility of the NSCSO provider from April 2013. There are no implications for capital charges or depreciation for the Council in respect of this business case.

Cash flow is an important consideration within this project. From the Council's perspective, the contract price not only meets the overall savings targets in the MTFS, but the pace and profile of savings is such that they are exceeded quicker than is required. The contract price in year 1 is 15% less than the Council's baseline, whereas the savings targets for NSCSO in the MTFS are currently profiled to be delivered gradually over 3 years from 2013 to 2016. This will deliver a further one off benefit to the Council in the first two years of the contract.

Net present values and indexation – all figures included in this report are stated at current prices. Within the contract, indexation clauses enable the contract price to be amended to reflect inflation over time. For staff related costs, this is pegged to the local government pay award. For non-staff related operational costs, this is pegged to CPI. For non-operational elements of the contract price, for example profit, this is not subject to indexation. Increases in income, specifically commercial property income, are subject to gainshare between the provider and the Council, 70% coming to the authority and 30% to the provider.

Sensitivity analysis is also an important part of confirming the financial implications and risks. The Capita proposals include volume adjustments for increases or decreases in activity, which would result in either an increase or decrease in the contract price. There is a 10% threshold whereby any changes in volumes lower than this do not result in any change to the price. The table below sets out the change in contract price if volumes across all services increase or decrease by 10%, 20% and 40%.

Table 7.4 Volume Sensitivity

Change in volume	Change in contract price for increase in volume	Change in contract price for decrease in volume
10%	785,211	-785,211
20%	1,572,151	-1,572,151
40%	3,146,029	-3,146,029

As set out in section 5 above, a number of factors could result in increases and decreases to volumes. In respect of customer services, channel shift to web contact is core to the provider solutions, and volumes are expected to decrease on call and face to face contact. Similarly, in respect of IT, HR and finance, the numbers of people working in the organisation are declining, resulting in reductions of volumes over time. However, for Council tax collection, the number of properties in Barnet is expected to increase over time. On this point it is important to note that the number of properties in Barnet would have to increase by 13,000 homes before a volume adjustment is triggered.

However it is important to note that this process is not automatic. The first requirement on breaching any volumetric tolerance would be for Capita to attempt to mitigate the impact within its current price. If it is able to demonstrate that this is not possible then it would be required to propose options for reprioritisation of the service, again within the current cost envelope. Only if those routes are proved to be unable to solve the issue then an adjustment to price would be calculated using the financial model and the Change clauses within the contract. The balance of requirement to justify would therefore remain with Capita.

Other financial and balance sheet considerations – it is not expected that this contract will give rise to, or affect any current contingent liabilities. This contract will not affect the Council's position in respect of taxation, either in terms of recovery of VAT or in terms of liability for corporation tax.

Value for money and benchmarking
Ongoing value for money is an important consideration throughout the life of any contractual arrangement. A number of contractual protections exist to ensure that this can be monitored and achieved.

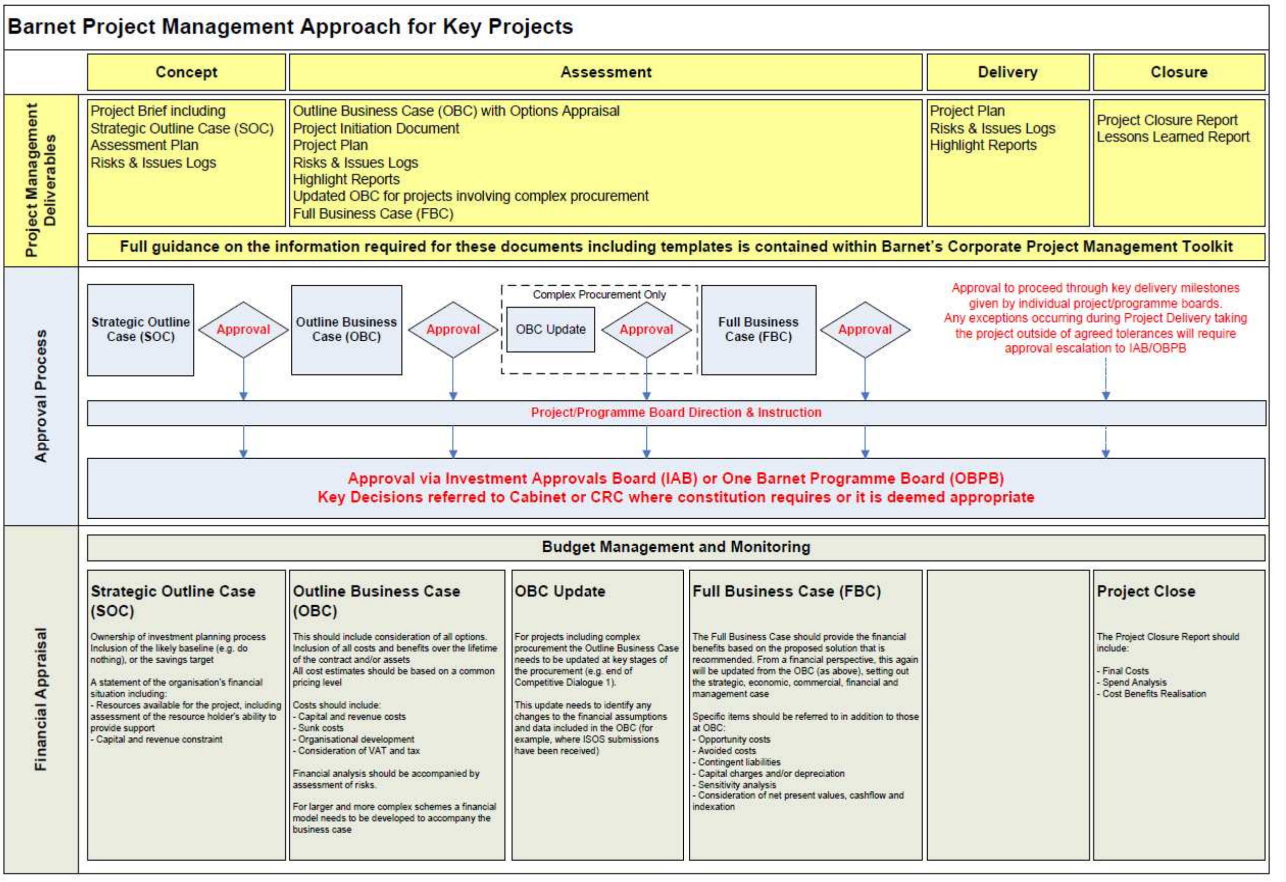
a) benchmarking provisions are included within the contract, enabling the Council to undertake a comprehensive independent benchmarking of the services three times through the life of the contract, with an obligation on the service provider to ensure that the contract price falls in line with the outcome of benchmarking where it is higher than expected at that point in time.

b) there are provisions for year 3 and year 6 reviews with the contract. This signposts a more fundamental review of the direction of the partnership, and whether outcomes being delivered both financially and non-financially meet the changing needs of the Council and its stakeholders at that point in time. The timing of these reviews is designed to tie into the Council's financial planning cycle. As noted above, the financial benefits within this contract enable the Council to exceed its MTFS targets for 2013-16. However, by 2016, further financial challenges may exist, and the year 3 review is the appropriate mechanism to ensure the contract is flexible enough to deal with circumstances prevailing at that time.

9. Project Approach

The project has followed the standard Barnet project management methodology and has been subject to routine audit reviews during its duration. The NSCSO Project Board has met regularly over the cause of the project receiving status reports and key risks and issues. The full project process is shown below:

Diagram 8.1 NSCSO Project Approach



The procurement has followed a standard competitive dialogue approach. Following the OJEU notice published on 21 June 2011, ten companies completed a Pre-Qualification Questionnaire, the results of which were evaluated to create a list of seven companies to invite to participate in competitive dialogue. Four companies chose to enter competitive dialogue with the council, and were invited to submit Outline Solutions, which were evaluated using the criteria below:

Table 8.2 NSCSO Evaluation Criteria

	Overall % Weighting
Meeting the Council's strategic objectives	14
- Effective partnership working and alignment with Council's strategic objectives and values, now and over time (4%) - Effective management, sharing and use of data and insight to deliver a citizen-centric Council (5%) - Effective HR practices and professional development (5%)	
Delivering a new relationship with citizens	18
- High and measured customer satisfaction (6%) - Enabling citizens and customers to do things for themselves and	

nurturing the Big Society (4%) - Maximising access and quality of experience (4%) - Meeting the diverse needs of customers (4%)	
Service delivery	28
- Compliant, high quality service delivery (10%) - Continuous and innovative improvement in service delivery (8%) - Services joined up with other public, private and third sector organisations (6%) - Maximise opportunities from central government for the benefit of the Borough (4%)	
Financial and Commercial	40
- Net financial benefit and payment profile including pace (25%) - Flexibility in the contract (5%) - Price performance mechanism (5%) - Ability to transfer risk (5%)	
Total	**100**

On the basis of this evaluation, Cabinet Resources Committee on 28 February 2012 agreed that the highest scoring two companies BT and Capita were invited for a second round of dialogue to created Detailed Solutions, using the same evaluation criteria detailed above.

BT and Capita submitted Detailed Solutions on 10 September 2012 which were reviewed by evaluators, with clarification questions asked and answered. There were some areas where further detailed dialogued was required, so this took place with both bidders. Once the Council was satisfied that no further dialogue was required, dialogue was closed, and bidders were invited to submit their Final Tenders. Final tenders from both bidders were submitted on 25 October 2012.

At both Detailed Solution and Final Tender stage, between two and five officers from each of the in-scope services individually reviewed bids against the output specifications they had provided, noting strengths, weaknesses, risks and issues against the evaluation criteria. They then met as a group to reach a consensus score, with a procurement officer in attendance to oversee and support the process,

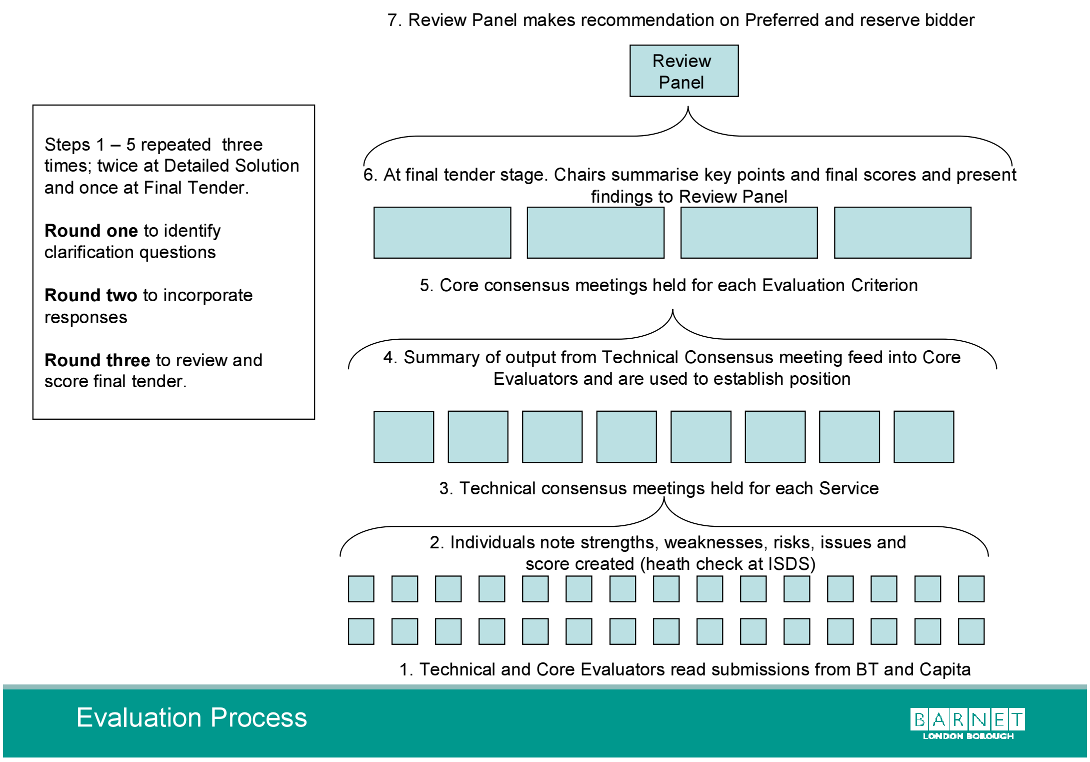
The results of these technical evaluators' consensus meetings were then provided to four separate core evaluation groups, responsible for recording a score for criteria with section A, B, C and D respectively, whose members came from a number of services and disciplines across the Council. Each group was chaired by an Assistant Director. All members of the Core team independently reviewed bids and, with the exception of the Chair, noted their strengths, weaknesses, risks and issues. Core evaluators then met to arrive at their own consensus score, again with a Procurement officer in attendance.

Once Final Tender evaluation had concluded, Chairs prepared evaluation reports which summarised the final consensus scores and rationale for each bidder. These reports were presented by Chairs to the Review Panel which met on the 9 November. Review Panel members had the opportunity to challenge the Chairs on their positions before agreeing a recommendation to be put forward.

The outcome of the Review Panel meeting was to recommend Capita as the Council's preferred bidder for NSCSO and BT as the reserve bidder. Capita scored 82%.

The evaluation process is summarised in the following diagram:

Diagram 8.3 NSCSO Evaluation Process



Mobilisation

As at November 2012, the project has reached the conclusion of the evaluation stage and, pending approval, will move into the mobilisation phase in January 2013.

The approach to mobilisation will combine where appropriate similar activities from both NSCSO and DRS to aid knowledge sharing and to make the most effective use of resources. It will also link other work underway within the Council, notably the implementation of the model for the retained organisation and the implementation of our Information Management Strategy.

The deliverable from mobilisation will be the transfer of all in-scope staff, data, assets and in flight projects for the eight NSCSO services covered within this business case.

Mobilisation will formally commence on 27 December 2012 when the Alcatel period (this being a stand-still period within the procurement process in which unsuccessful bidders have the opportunity to challenge the decision) ends. The project will be delivered through a number of key work-streams with a programme manager, supported by a team of project and business specialists directing and managing the programme. The work streams and their main activities broadly cover contract compliance, implementation & finance, operations, communications & engagement, information management, HR and governance.

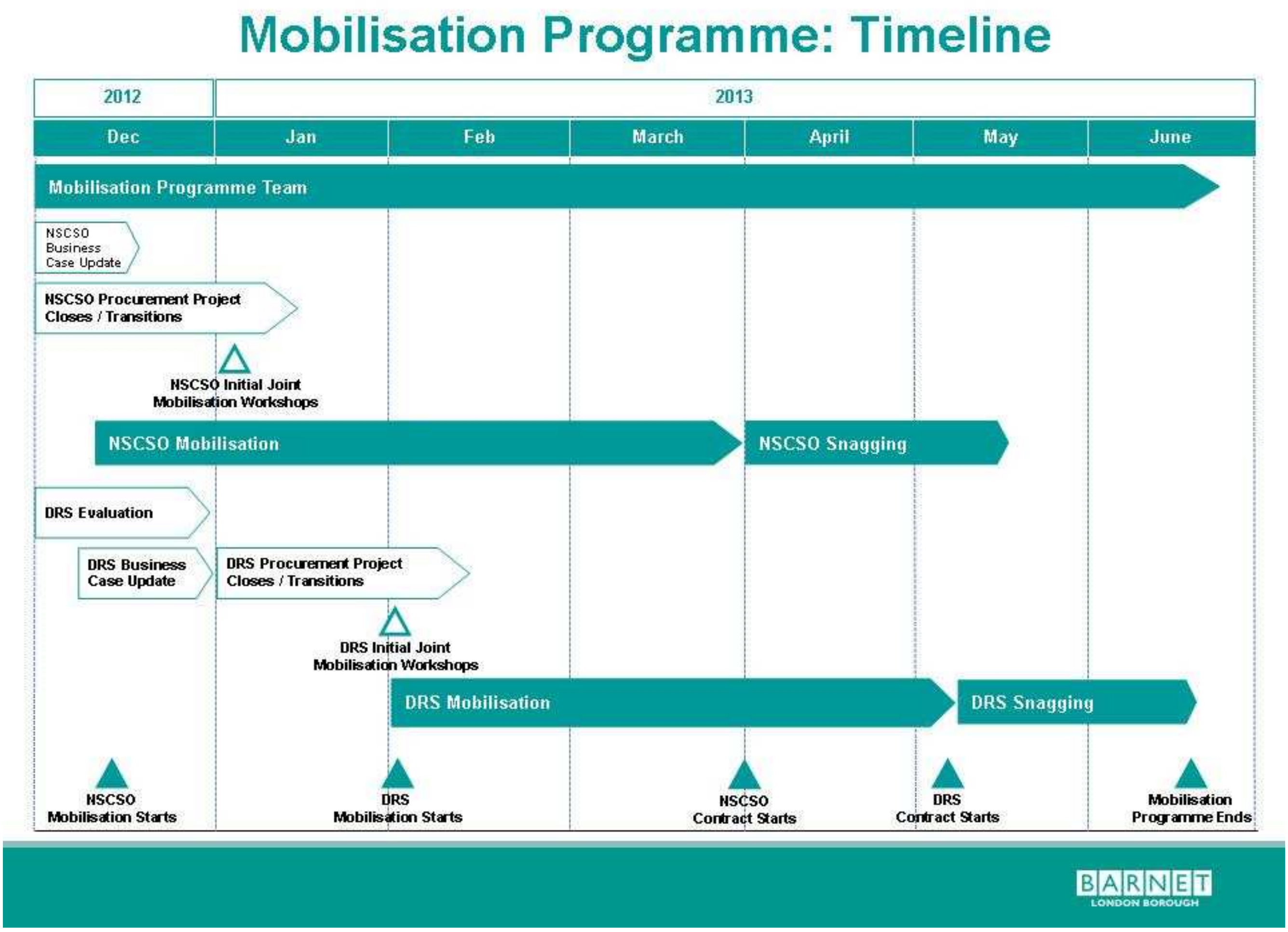
The key dates for the lead in and completion of mobilisation are:

Preferred bidder letter issued	13 December 2012

Alcatel ends	27 December 2012
Contract signature	31 January 2013
Service Commencement	01 April 2013

The mobilisation plan will take account of the parallel procurement of a DRS partner, which is currently scheduled to commence service approximately 6 weeks following the NSCSO start date. Provisions within the NSCSO contract will guarantee the required availability and quality of support to the DRS partner through its own mobilisation period and early months of operation whilst interface agreements to be signed by both partners will allow them to renegotiate, extend or discontinue the services for the longer term.

Diagram 8.4 Mobilisation Programme



Project assurance

One Barnet Assurance Work

Assurance work has taken place through-out the project lifecycle of NSCSO by internal and external audit.

Internal Audit review the One Barnet programme quarterly and review aspects of the projects according to the 12 point project management excellence methodology set out in the diagram opposite that assures a well-managed, effective programme which has fit-for-purpose controls:

Internal Audit work for the past two years has considered the following:

- Capacity and Capability management, change management and risks and issues management
- Customer Services Risk Management
- Scope and change control, governance and dependencies
- Working with suppliers/providers
- Stakeholders
- Data quality of KPI information

External Audit reviews the Council annually and considers the progress of its transformation programme in its value for money opinion. The Council has maintained an unqualified value for money opinion throughout the course of the One Barnet Programme. In addition, External Audit has reviewed the following:

- One Barnet Governance
- the progress of the NSCSO project and overall concluded that there were adequate arrangements in place for the overall governance of transformation projects

The outcome of internal and external audit work has been reported through to the Audit Committee throughout the life cycle of the NSCSO project.

Project Risk Management

Project risks are managed in line with Council's overall approach to risk management. Risks are recorded and managed through the Council's central risk register JCAD and reported to Council Directors Group on a regular basis.

The key risks identified for the delivery of the mobilisation phase are shown below.

Table 8.5 – Summary of Mobilisation Risk Analysis

Risks	Mitigation
Legal challenge impacts upon the delivery of project benefits	The potential for legal challenge is a standard risk in any procurement process. The project and procurement have been conducted in line with legislative and best practice guidelines and as such the Council is confident in its ability to defend any claims
Service level agreements (SLAs) and key performance indicators (KPIs) are not sufficiently defined impacting Barnet's ability to hold suppliers to commitments from transfer of service.	Work is underway to complete baseline data on KPIs and to confirm SLAs for all eight services.
Breach of Public Sector Equality Duty and/or Council's obligations under the Human Rights Act	Detailed EIAs have been undertaken and will be kept under review throughout the mobilisation process. The Council has imposed contractual obligations and will continue to monitor the contract with regard to its potential impacts and ensure appropriate publicity and the results of any consultation are taken into account before deciding whether or not to approve any change in service, and what mitigation may be required.
Challenge during the Alcatel period prevents contract signature and mobilisation until challenge is answered. This will extend timescales for transfer of service indefinitely.	The Council has undertaken the procurement of NSCSO according to the Council's Contract Procedure Rules and the Public Contracts Regulations 2006. All precautions have been taken to ensure a fair and transparent process for both short-listed bidders and to minimise the risk of challenge at preferred bidder stage.
Due diligence undertaken by preferred bidder identifies additional scope to service which has an impact on service transfer times or cost.	In scope services have prepared detailed output specifications which describe the services, processes, third parties and legislation. The specifications have been generated by the service and approved by Service Leads who are at Head of Service, or Assistant Director level. Council generated output specifications have been used as the basis of the evaluation of bidders proposed service solutions.
Due diligence activities coupled with preparations to transfer service will put pressure on business as usual activities or the Council's ability to properly execute mobilisation activities.	A mobilisation team has been identified which is largely staffed from the new retained client organisation. Where further resources are needed to supplement either capability or capacity on a short term basis, contract staff will be deployed.
Pace of change required by preferred bidder puts pressure on the capacity of the existing organisation to meet timescales and adopt new ways of working.	The preferred bidder has indicated an ambitious pace of change within its mobilisation plans and first two years of operation. The Council will monitor the delivery of its obligations and provide such additional resource as is necessary to ensure

Risks	Mitigation
	it meets its requirements for a successful handover, transition and transformation.
DRS and NSCSO preferred bidders signing up to Interface Agreement could impact benefits realisation.	The Council has been dialoguing interface agreements with all NSCSO and DRS bidders and the key obligations are already well developed in the draft contract.
Key posts in Commissioning Group not filled creating gaps in capability and capacity for mobilisation and on-going contact management.	There are a number of key posts within the new Commissioning Group that will need to be filled in order to provide leadership into the mobilisation process and to retain the resulting knowledge in house for use in managing the contract and performance. Work is already underway to advertise and fill vacant posts. Where vacancies identified as essential for the mobilisation work exist, contract resource will be brought on-board to cover while permanent resources are recruited.
Organisational changes currently underway within services not in NSCSO scope such as Adults may impact pace of change and ability to these services to meet preferred bidder timescales.	Joint plans for mobilisation will be developed in early January. Representatives from services such as Adults and Children's will be invited to comment to ensure issues and risks are understood and mitigated where possible. Close monitoring of any dependencies between NSCSO mobilisation and organisational changes within the retained function will be incorporated into mobilisation work-streams.
Mobilisation timescales are exceeded impacting service transfer on the 1st April.	The Council's preparation for mobilisation will start from the announcement of Preferred Bidder and will formally commence following the end of the Alcatel period on the 27th December. This allows a full three months for joint Council and Preferred Bidder mobilisation activities which is in line with recommendations.
Key contracts are not able to or are late novating resulting in the Council continuing to manage and /or fund third party services that should be transferred.	Work is ongoing on the review and transfer of contracts and will be completed in preparation for transfer of service on the 1st April. Where contracts cannot be novated for legal or constitutional reasons they will be retained and incorporated into the baseline adjustments.
Constitutional changes are delayed	Contract delivery is not dependent upon the structure of the retained Council. The Council could manage the NSCSO contract within current structures and governance procedures, with any temporary changes to service requirements being dealt with by way of a reprioritisation change within the contract.
Financial baseline update adversely impacts contract	The Council retains the ability to require a change in the services as a consequence of budgetary or other constraints. Capita would be obliged to develop options for

Risks	Mitigation
	meeting the new baseline, which would initially involve reprioritisations and which the Council can accept or require refinement until it is content with the proposals

10. Dependencies

The following dependencies have been identified and incorporated into the project plan. Dependencies will be actively managed by workstream leads throughout the life of the project.

Table 9.1 Dependencies list

Item	Dependency
Information Management Strategy Project	On transfer of service to the new provider on the 1^{st} April the Council will need to be able to hand over the physical and electronic data necessary for the day to day running of services. Preparation for this is already underway through the Information Management Strategy Project (IMS).
Commissioning Organisation design and recruitment	The timely recruitment of staff to key positions within the new commissioning organisation will be a major factor in a successful mobilisation. Where feasible, the project will want to retain officers within the commissioning organisation who have knowledge of the mobilisation process. A good example of this are the two Partnership Managers who will ultimately take responsibility for the contract management of NSCSO and DRS, who are being recruited now.
Governance Project	A number of constitutional changes will be necessary to complete transfer such as the appropriate delegation of responsibilities to the Chief Operating Officer and the client management team. These changes will need to be managed through the normal democratic process and as such will need to be completed before the 1^{st} April 2013 transfer date.
Interface clauses	The Interface clauses define how the preferred bidders from NSCSO and DRS will work with each other to ensure that both partners are aware of and will support the obligations placed by the council on the other, and that necessary operational interfaces are maintained. This includes a duty for any debate or conflict to be addressed by the two partners in the first instance, rather than the council having to intervene. There are also specific requirements for NSCSO to provide support services to DRS (e.g. accommodation, IT) for a minimum period, which the two partners can reduce or extend as desired once both parties are known. The interface clauses and operational requirements are well developed and Capita's Final Tender includes them (legally, operationally and financially). The final clauses and operational requirements will be refined between the two partners once they are known.

11. Democratic oversight and control

Members' democratic oversight and control of the NSCSO services will be undiminished by entering into this contract:

- **Constitutional powers:** all matters which require a Council decision will continue to be subject to Council decision-making, as governed by the constitution and the scheme of delegation.
- **Revising policy and strategy:** the Council can continue to update and amend the policies and strategies governing the eight services at any time, as well as introduce new policies and strategies. These will be administered via the contract's change control mechanism. The current policies and strategies directly governing the in-scope services are written into the service output specifications that Capita has committed to in its Final Tender. Additional policies which apply to all Council functions (such as the council's Equalities Policy) are also committed to within the contractual terms and conditions agreed by Capita.
- **Setting budgets and approving business plans for the services**: The contract provides for an annual service review process which looks back over the prior year's performance and identifies the agenda for the coming year. This process will align with the Council's own budget and business planning cycle. Member decisions made through the budget cycle will be communicated via the Strategic Partnership Board, which is the most senior forum within the partnership governance structure, and will have member representation, and built into service plans for the next financial year.
- **Taking resourcing decisions**: The contract includes budgetary change provisions, which are there to deal with events requiring a significant reduction in the cost of services. The Partner has an obligation in such circumstances to minimise any adverse effect on services and is required to provide an impact assessment so that members can take decisions in full knowledge of the potential impact. A change process can be initiated at any time. If, for example, there was a Comprehensive Spending Review announcement from Central Government that identified more cuts to future resourcing levels for local government, members could use the budgetary change provision to require an immediate step-down in NSCSO services in order to use these savings to help minimise the future impact on frontline services.
- **Holding the service provider to account:** The NSCSO services are subject to similar overview and scrutiny processes as in-house services. Decisions taken in respect of these services may be called-in and scrutinised in exactly the same way, and the council's audit committee will receive reports on the NSCSO services which remain within the scope of the council's annual audit plan.
- **Renewing, reducing, stopping or changing the service mix within the contract**: The Council may terminate at any time earlier than the planned end date (this would be a member decision) subject to repaying Capita for investments made but not yet recouped through the annual service charge and loss of profit. If the contract runs the full 10 years as is currently envisaged, the up-front investment in transformation and technology will be recovered over that 10 year period via the annual service fee.

In addition, the provision of enhanced customer insight is expected to assist members in responding to residents' individual needs and expectations, and also in understanding patterns and trends at ward level. Capita have committed to providing:

(i) A single customer record – keeping all relevant service-related information about a resident in one place including their contact with the council and any complaints

(ii) Data about customers broken down by ward, including national and local statistics

12. Benefits Realisation and Contract Management

Benefits realisation

The Council's approach to benefits realisation will be developed with the new partner and aligned with the performance management and incentivisation mechanisms in the contract. These fall broadly into the following areas:

- Monitoring of transformation milestones and deliverables. Capita has committed to using a benefits tracking tool and funding a benefits realisation manager.
- Monitoring of project milestones and deliverables of those projects being transferred as part of the Corporate Programmes function
- KPIs and PIs for the core services. These will be reported monthly by the Partner and the Council has a right of access to the systems and data used to create these reports to satisfy itself of their accuracy. Each of these PIs represents a specific output or benefit commissioned by the Council from the Partner. If there is any variation from the targeted levels these will be reviewed and actions taken as necessary between the Council's client team and the Partner's operations team as part of the Partnership Operations Board. Any issues that cannot be resolved or progressed by this group can be escalated to the Strategic Partnership Board and ultimately to the Chief Executive and the Board of the Partner.
- Objectives for specially commissioned projects will be developed through the business case and approval procedures set out in the contract. As each project may require a different approach to delivery, the Partner will be required to set out a detailed benefits management procedure as part of each business case. Progress against live projects and their required outcomes will be reported to the Council at the same time as the regular PIs. Ongoing monthly business performance reviews in this area will be overseen by the Partnership Operations Board.

The ownership (on the Council's side) of each of these benefits will fall to the Chief Operating Officer (core services) and/or the relevant Lead Commissioner (for special projects) and will be tracked and reported to the Council as part of their general reporting processes.

Intelligent client and contract management

The Council has designed and established a client side function for all its internal and external delivery partnerships called the Commissioning Group as part of the corporate restructure project, which was approved by General Functions Committee in April 2012. This new function comprises:

- Lead Commissioners – 6 senior policy experts responsible for understanding the needs of customers and the Borough and designing commissioning strategies to deliver the outcomes required by the Strategic Commissioning Board in accordance with the policy guidelines provided by members.
- Commissioning strategy team – 5 strategy and policy advisors who act as a flexible resource across all policy areas

- Deputy Chief Operating Officer and team – a team of circa 40 staff, four heads of service who act as NSCSO commissioners, and subject matter experts, covering areas such as programmes and projects, information management and finance, all of whom will provide strategic direction to NSCSO
- Commercial Lead and team – a team of between 11-15 staff who will manage the commercial and contractual relationships with external and internal delivery partners, ensuring that contracted financial and non-financial benefits and commissioned outcomes are delivered, that risks are effectively monitored and managed, and improvement opportunities are identified and acted on.

Recruitment has taken place for the first four tiers of management in this function, whilst staff affected are being consulted on the proposed posts and functions of the roles below the four management tiers, with the structure due to be finalised in February 2013.

Recruitment to the new roles in the Commercial team has commenced ahead of this in order that the NSCSO and DRS Partnership Managers and contract management officers are involved in the transition and mobilisation period in early 2013.

The Council will utilise best practice guidance in the detailed design of its contract management arrangements, including the National Audit Office and Office of Government Commerce's Good Practice Contract Management Framework (December 2008), which provides the following advice:

- activities that organisations should consider when planning and delivering contract management;
- how to evaluate the risk and value opportunities inherent in contracts; and
- how the activities and the evaluation from Section 2 can be brought together to develop contract management plans and priorities.