

**AGENDA ITEM: 9**      Pages 38 – 46

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Meeting	Cabinet Resources Committee
Date	2 March 2011
<b>Subject</b>	<b>Customer Services Organisation and New Support Organisation: Options Appraisal</b>
Report of	Cabinet Member for Customer Access and Partnerships Cabinet Member for Resources and Performance
Summary	This report outlines the Options Appraisal completed for the Customer Services Organisation (CSO) and New Support Organisation (NSO) Projects and seeks authority to develop business cases for the future delivery of the in scope services.

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Officer Contributors	Craig Cooper, Director of Commercial Services Andrew Cox, Project Manager, Commercial Services
Status (public or exempt)	Public
Wards affected	All
Enclosures (separately circulated)	Appendix 1 – Customer Services Organisation and New Support Organisation Options Appraisal Appendix 2 – Joint Trade Union COS-NSO interim critique Appendix 3 – Customer Services Organisation and New Support Organisation Options Appraisal – commentary on interim critique
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Andrew Cox, Project Manager, 020 8359 4889.

## **1. RECOMMENDATIONS**

- 1.1 That the Director of Commercial Services be authorised to produce a business case for the following:**
- a. the procurement of a private sector partner(s) to deliver the following services – Customer Services, Estates, Finance, Human Resources, Information Systems, Procurement, Revenues and Benefits.**
  - b. the interim transformation (prior to transfer to a private sector partner) of the following services – Customer Services, Information Systems**
  - c. change and service improvement of the following services – Estates, Procurement**
  - d. the options and recommendations for the in-house transformation of Legal Services.**
- 1.2 That the details of business case 1.1a be referred to and considered by a future meeting of Cabinet Resources Committee.**
- 1.3 That the Director of Commercial Services be authorised to initiate the procurement of a private sector partner(s) to deliver the following services:**
- Customer Services, Estates, Finance, Human Resources, Information Systems, Procurement, Revenues and Benefits.**
- 1.4 That this procurement process will only proceed into the dialogue phase once the business case identified in 1.1a above be approved by Cabinet Resources Committee.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet, 6 May 2008 (Decision item 5) – approved the establishment of the Future Shape of the Organisation<sup>1</sup>.**
- 2.2 Cabinet, 3 December 2008 (Decision item 5) – approved the programme structure for the next phase of the Future Shape programme and that a detailed assessment of the overall model for public service commissioning, design and delivery should be undertaken.**
- 2.3 Cabinet, 6 July 2009 (Decision item 5) – approved that three principles would be adopted as the strategic basis for making future decisions:**
- a new relationship with citizens**
  - a one public sector approach**
  - a relentless drive for efficiency.**

It also approved a phased approach to delivering the Future Shape Programme and immediate consolidation of activity in the areas of property, support and transact.

- 2.4 Cabinet, 21 October 2009 (Decision item 8) – approved plans to implement the Future Shape programme.**

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<sup>1</sup> The Future Shape programme has been renamed One Barnet Programme. The relevant previous decisions shown refer to meetings held before this change.

- 2.5 Cabinet, 21 June 2010 considered the medium-term strategic context for the Council and likely very substantial financial challenges. Cabinet endorsed the Future Shape programme as the response to the challenges set out. The report also noted that the full implementation costs of Future Shape were not budgeted at that time and would need to be factored into future financial planning and in reviewing earmarked reserves.
- 2.6 The financial statements for 2009/10, agreed by the Audit Committee on 21 September 2010, established a Transformation Reserve to meet the costs of the Future Shape programme.
- 2.7 Cabinet, 29 November 2010 (Decision item 6) – approved the One Barnet Framework and the funding strategy for its implementation.

### **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:
- better services with less money;
  - sharing opportunities, sharing responsibilities; and
  - a successful London suburb.

The One Barnet Programme has three overarching principles:

- a new relationship with citizens;
- a one public sector approach; and
- a relentless drive for efficiency.

- 3.2 The proposals outlined in the Customer Services Organisation and New Support Organisation options appraisal fit within the One Barnet principles. In line with the One Barnet principles all services should:

#### **A new relationship with citizens**

- be designed and delivered around customers' needs;
- provide the best possible customer experience; and
- enable customers to help themselves by providing accurate and accessible information and enabling self-service wherever possible.

#### **A one public sector approach**

- be in a position to support the requirements of all public sector partners and drive better multi-agency working; and
- be flexible and therefore able to rapidly respond to changing demands.

#### **A relentless drive for efficiency**

- operate as efficiently as possible to both minimise the cost of the service and minimise the cost to customers of accessing the service;
- be innovative and take advantage of evolving technology, thinking and practice;
- maximise the value the Council achieves from all its assets (capital and revenue); and
- safeguard the Council's position to maintain its reputation and comply with legal responsibilities.

### **4. RISK MANAGEMENT ISSUES**

- 4.1 Risks associated with the delivery of the projects are managed and reported in accordance with corporate risk and project management processes and will also be reported through existing democratic processes.

- 4.2 A comprehensive risk assessment associated with the future delivery of these services will be completed through the production of business cases in order to inform decision making prior to the initiation of any significant change in delivery models.
- 4.3 The key risks of not implementing the recommendations of this options appraisal are that:
- the Council fails to foster opportunities for investment by the private sector.
  - the Council fails to keep pace with changes in society, for example with regard to use of technology.
  - the Council fails to halt the decline in customer satisfaction.
  - the Council fails to ensure existing commercial arrangements with third parties are delivering value for money.
  - the Council does not undertake the effective strategic planning needed to deliver services in a way which continues to meet growing residents' need in a challenging financial climate. Instead, the Council continues a programme of year on year cuts, leading to a decline in the quality of service delivery and customer satisfaction.
- 4.4 The key risks associated with delivering the recommendations of the options appraisal are:
- funding is not available to deliver, leading to failure to complete key activities or diminishing the quality of outcomes – initial mitigating action has been taken on this risk as the funding strategy for the programme has been approved. More detailed financial costs of delivery will be outlined in business cases as they are developed.
  - uncertainty that the market will respond as anticipated to the services under consideration for a private sector partnership – soft market testing in September 2010 showed that the market is interested and ready to deliver these services, however, further work will be done with the market to ensure the position remains the same.
  - contract arrangements are not robust and do not achieve intended outcomes or protect the Council from risk – the Council has procured support to ensure that the competitive dialogue process is robust and that the contract arrangements are beneficial to the Council.
  - loss of internal and external engagement due to poor communication – communication and engagement plans will be put in place for the next phase of this project and any other projects initiated as a result of this paper.
  - Reputational damage to the Council as a result of not delivering the expected benefits – benefits will be set out and validated in business cases. These will be managed and tracked.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 It is recognised that such a significant transformation of services is likely to have an impact upon staff. This impact will be monitored through the completion and update of an Employee Equalities Impact Assessment.
- 5.2 It will be necessary to assess the equalities impact of the project on the different groups of people within the Borough, as outlined in the 2010-13 Corporate Plan and work will be undertaken towards this end. This impact will be monitored through the completion and update of a Customer Equalities Impact Assessment.
- 5.3 Equalities Impact Assessments will be completed as part of the Business Case production and will be presented to Cabinet Resources Committee for consideration with the Business Case.

5.4 The Equalities Impact Assessments will be updated periodically throughout the projects lifecycle to assess the impact of service transformation and the projects on residents and staff.

**6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

6.1 The Spending Review has announced reductions in government support to local authorities of 26% over the next four years. The Council has now received its grant settlement and budget reductions of £53.4m were approved at Cabinet on 14 February 2011 in the Budget, Council Tax and Medium-term Financial Strategy 2011/12 – 2013/14 report.

6.2 For current One Barnet projects (Wave 1), estimates of savings have been made which are reflected in the Council’s financial plans. These were included within the Budget, Council Tax and Medium-term Financial Strategy 2011/12 – 2013/14 report approved at Cabinet on 14 February 2011. It has been necessary to make some assumptions regarding savings, but these have been assessed as reasonable and prudent and will be validated through the production of business cases.

6.3 The services that are in the scope of the CSO and NSO projects need to deliver savings to enable the Council to realise its medium term financial strategy, in light of the government’s spending reductions as noted above. These are underpinned by an assumption of between 10% and 15% savings on the costs of services in scope, as reflected in the One Barnet Framework. This was based on market research and industry benchmarks.

6.4 In calculating the potential savings, the total cost of the services in scope have been reduced to be prudent to reflect the fact that elements of these services will remain on the client side, and that the scope of the project may change over time.

	NSO		CSO	
	Gross Savings *	Budgetary Change **	Gross Savings *	Budgetary Change **
	£	£	£	£
2011/12	(196,000)	(196,000)	(145,000)	(145,000)
2012/13	(1,916,000)	(1,720,000)	(335,000)	(190,000)
2013/14	(2,036,000)	(120,000)	(335,000)	0
2014/15	(1,960,920)	75,080	(715,000)	(380,000)
2015/16	(1,960,920)	0	(715,000)	0
2016/17	(2,451,150)	(490,230)	(715,000)	0
2017/18	(2,074,050)	377,100	(695,000)	20,000
2018/19	(2,074,050)	0	(695,000)	0
<b>Total</b>	<b>(14,669,090)</b>		<b>(4,350,000)</b>	

\* Gross Savings refers to the total cumulative savings over the life of the contract

\*\* Budgetary Change refers to the annual adjustment amounts that the base budget would receive

6.5 These estimates are based on taking savings from the current published budget showing cumulative savings to the end of 2013/14 of £4.1m for NSO and £0.8m for CSO. Assuming that a future contract would be for seven years starting in 2012/13, the total savings over the next eight years would be £14.7m for NSO and £4.4m for CSO as set out in the table above. These estimates will be refined and amended through the production of the business cases for the procurement and internal transformation projects and the updated figures will be included within the Council’s financial planning.

- 6.6 The cost to the Council of external resources for the delivery of the chosen options will be identified through the creation of the Business Case and Delivery Plans and will be presented to a future meeting of the Cabinet Resources Committee for approval. The estimated costs for delivery of the projects is £1.967m as set out in the One Barnet framework.
- 6.7 The project will be funded from the Council's Transformation Reserve.
- 6.8 The Council will continue to meet all of its statutory and contractual obligations in regard to change and its impact upon the Council's staff. In the context of One Barnet Programme this means that all internal re-structures will be managed in compliance with the Council's Managing Organisational Change Procedure. Where the change results in a TUPE transfer the Council will meet all of its statutory obligations but it will not provide any enhancement over and above that provided by the Transfer of Undertakings (Protection of Employment) Regulations 2006, Code of Practice and Best Value Authorities Staff Transfers (Pensions) Direction.
- 6.9 An embargoed version of a draft of the options appraisal was shared with Trade Unions. Their critique of the options appraisal and a commentary addressing the points raised in the critique are included as appendices of this report.

## **7. LEGAL ISSUES**

- 7.1 Procurement processes must comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination.
- 7.2 In the event that services are to be externalised, the Council must comply with its legal obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") with respect to the transfer of staff. Where they apply, the Regulations impose information and consultation obligations upon the Council and the incoming contractor and operate to transfer the contracts of employment, of staff employed immediately before a transfer, to the new contractor at the point of transfer of the services.
- 7.3 Data Protection Act 1998 considerations in relation to Information sharing. This will be relevant during the formulation of the business case phase, as well as during any actual procurement phase.
- 7.4 A legal assessment of the delivery of services (and the extent to which services can be delivered differently) via the chosen delivery models will be completed through the production of business cases.
- 7.5 With respect to the recommendation at paragraph 1.3 and 1.4, if the business case is not approved the procurement will not proceed. If the procurement does not proceed, there is a risk of challenge from the bidders, and the further the procurement process has progressed the greater the risk of a successful challenge. However, given the recommendation at paragraph 1.4 that the procurement will not enter the dialogue phase until the approval of the business case this risk is assessed to be of low probability.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Council's constitution, in Part 3, Responsibility for Functions, paragraph 3.6 states the terms of reference of the Cabinet Resources Committee including "approval of schemes not in performance management plans but not outside the Council's budget or policy framework".

## 9. BACKGROUND INFORMATION

9.1 The Customer Service Organisation (CSO) Project was initiated in June 2010 with a mandate from the findings of the Access Group of Phase 2 of the Future Shape Programme which reported to Cabinet in July 2009. The project aims to create a Customer Services Organisation that is at the heart of a customer-centric Council and public sector in Barnet. The CSO will need to:

- Lead the transformation to a customer-centric Council;
- Deliver significant improvements to customer services;
- Support better commissioning, service improvement and innovation through understanding and promoting the customer perspective;
- Support the transformation to delivering customer access primarily through e-channels;
- Support the development of the new relationship with citizens through developing tools that put responsibility and control in the hands of residents; and
- Support the development of tools and approaches to innovation.

9.2 The New Support Organisation (NSO) Project was initiated in June 2010 with a mandate from the findings the Support Group of Phase 2 of the Future Shape Programme, which reported to Cabinet in July 2009. The following services are in scope for the project:

- Estates;
- Finance;
- Human Resources;
- Information Systems;
- Legal Services;
- Procurement; and
- Revenues and Benefits.

The project's aim is to enable the Council's support services to be delivered differently to:

- provide improved services for their (internal) customers;
- make savings to benefit the taxpayer; and
- enable them to adapt to a changing and evolving customer base in the light of any One Barnet developments and are therefore sustainable.

9.3 It is recognised that there are considerable synergies between the future delivery options for the services within the scope of the two projects and opportunities may be lost if the options were not appraised jointly.

9.4 The Options Appraisal process has involved:

- identifying aims and objectives to be delivered through the future delivery of these services;
- analysing the cost and performance of the in scope services;
- identifying potential alternative delivery options for these services;
- developing evaluation themes against which to score each potential delivery option;
- consideration of the viability of these options for each of the in scope services; and
- recommending the preferred options for future delivery of these services.

9.5 Analysis of data about the cost and performance of the in scope services indicates that the services can be split into four groups:

1. two services (Customer Services and Information Systems) require major transformation;
2. two services (Estates and Procurement) require significant change and improvement;

3. one service (Human Resources) is currently going through a transformation programme which started in 2009/10; and
4. three services (Finance, Legal, Revenues and Benefits) perform well, but there is anticipated to be the potential to improve performance and reduce costs.

9.6 Evaluation of potential future delivery options and the cost and performance of services produces the following conclusions:

1. The Strategic Partnership delivery option scores highest for the following seven services:
  - Customer Services
  - Estates
  - Finance
  - Human Resources
  - Information Systems
  - Procurement
  - Revenues and Benefits.

More detailed analysis identifies that the factors behind the high scores for the Strategic Partnership delivery option are the price, investment and performance themes. The scores attributed to these themes are predicated on there being a potential to improve performance and reduce cost through this delivery option.

The potential to improve performance and reduce cost will be further detailed through the production of a business case. The real test of the performance improvement and cost reduction potential will be the procurement process.

This procurement process should be for a private sector partner to deliver these services. The process should allow the option to form a Strategic Partnership, an Incremental Partnership or a Joint-venture, as each of these delivery options scored similarly – the process will identify the most suitable option for Barnet.

2. Major Transformation is required for two services:
  - Customer Services; and
  - Information Systems.

Significant change and improvement is required for two services:

- Estates; and
- Procurement.

Given the conclusion that the recommended delivery option is through a partnership with the private sector, it must be recognised that any benefits delivered through such a delivery vehicle will not be realised until the new partner(s) has been procured and more likely to be a minimum of six months after the contract has been mobilised. This recognition leads to the conclusion that for these services some form of internal transformation and change must be delivered in the interim. This was supported by the pace and service transformation theme scores which when looked at in isolation recommended a consultant led internal transformation.

The potential for interim transformation and change will be further detailed through the production of business cases.

3. For Legal Services the in-house transformation delivery option scored highest: A business case for future delivery of the Legal service, exploring the potential for in-house transformation should be produced. This should particularly assess how the service's customers should be provided with more flexible legal services.



- 9.7 The options appraisal recommends the following:
1. The procurement of a private sector partner(s) to deliver the following services - Customer Services, Estates, Finance, Human Resources, Information Systems, Procurement, Revenues and Benefits.

Next steps should involve:

- production a business case; and
- initiation of the procurement through the publication of an OJEU notice.

It is recommended that no dialogue should commence until this business case is approved.

2. The production of business cases for the interim transformation (prior to transfer to a private sector partner) of:
  - Customer Services; and
  - Information Systems.
3. The production of business cases for change and improvement (prior to transfer to a private sector partner) of:
  - Estates; and
  - Procurement.
4. Production of a business case exploring the option for in-house transformation of the Legal service.

## **10. LIST OF BACKGROUND PAPERS**

10.1 One Barnet Framework.

10.2 Anyone wishing to inspect the background papers should telephone 020 8359 4889.

Legal – PJ  
CFO – JH/MC

**Options Appraisal for  
Customer Service Organisation  
and  
New Support Organisation**

## Contents

CONTENTS .....	2
TABLES AND FIGURES.....	4
1. EXECUTIVE SUMMARY .....	6
1.1. Introduction .....	6
1.2. Objectives .....	6
1.3. Methodology.....	6
1.4. Performance of Services.....	7
1.5. Potential Benefits .....	7
1.6. Recommendations .....	7
2. INTRODUCTION .....	9
2.1. Customer Services Organisation (CSO).....	9
2.2. New Support Organisation (NSO) .....	11
2.3. Methodology.....	11
3. OPTIONS APPRAISAL .....	12
3.1. Aims and objectives .....	12
3.2. Scope.....	13
3.3. Costs.....	13
3.4. Change Required .....	13
3.5. Evaluation .....	13
3.6. Benefits .....	13
3.7. Conclusions.....	13
4. RECOMMENDATIONS .....	13
APPENDIX A. OPTIONS APPRAISAL METHODOLOGY .....	13
A.1. Process .....	13
A.2. Approach to evaluation .....	13
A.3. Governance.....	13
APPENDIX B. EVALUATION MATRIX .....	13
B.1. Scores.....	13
B.2. Rationale behind scores.....	13
APPENDIX C. ASSESSMENT OF STRENGTHS OF POTENTIAL DELIVERY OPTIONS .....	13
APPENDIX D. ASSESSMENT OF WEAKNESSES OF POTENTIAL DELIVERY OPTIONS .....	13

APPENDIX E. ASSESSMENT OF IMPACT ON STAFF OF POTENTIAL DELIVERY OPTIONS..... 13

APPENDIX F. INDIVIDUAL SERVICE APPRAISALS..... 13

F.1. Customer Service Organisation ..... 13

F.2. Estates ..... 13

F.3. Finance ..... 13

F.4. Human Resources ..... 13

F.5. Information Systems ..... 13

F.6. Legal ..... 13

F.7. Procurement..... 13

F.8. Revenues and Benefits ..... 13

## Tables and Figures

Table 1: Aims and Objectives .....	12
Table 2: Scope of Services .....	13
Table 3: Service Expenditure .....	13
Table 4: Service Income .....	13
Table 5: Improvement Areas.....	13
Table 6: Scoring of improvement areas .....	13
Table 7: Consolidated Service Analysis.....	13
Table 8: Link between Areas for Improvement and Evaluation Themes .....	13
Table 9: Evaluation weightings for each Service .....	13
Table 10: Scores for each Delivery Option for each Service.....	13
Table 11: Potential Benefits .....	13
Table 12: Evaluation Themes .....	13
Table 13: Description of Potential Delivery Options .....	13
Table 14: Governance arrangements .....	13
Table 15: Evaluation Matrix .....	13
Table 16: Rationale behind scores in Evaluation matrix .....	13
Table 17: Assessment of strengths of potential delivery options .....	13
Table 18: Assessment of strengths of potential delivery options .....	13
Table 19: Assessment of impact on staff of each potential delivery option ....	13
Table 20: CSO Functions in scope .....	13
Table 21: CSO Evaluation Theme weightings .....	13
Table 22: CSO Evaluation Scoring .....	13
Table 23: Costs of Estates service.....	13
Table 24: Estates Evaluation Theme Weightings.....	13
Table 25: Estates Evaluation Scoring .....	13
Table 26: Costs of Finance service.....	13
Table 27: Finance Evaluation Theme Weightings.....	13
Table 28: Finance Evaluation Scoring .....	13
Table 29: Costs of HR service .....	13
Table 30: HR Evaluation Theme Weightings .....	13
Table 31: HR Evaluation Scoring.....	13
Table 32: Costs of Information Systems .....	13

Table 33: IS Evaluation Theme Weightings .....	13
Table 34: IS Evaluation Theme Scoring.....	13
Table 35: Costs of the Legal service.....	13
Table 36: Legal Evaluation Theme Weightings.....	13
Table 37: Legal Evaluation Scoring .....	13
Table 38: Costs of Procurement Service .....	13
Table 39: Procurement Evaluation Theme Weightings .....	13
Table 40: Procurement Evaluation Scoring.....	13
Table 41: Costs of Revenues and Benefits service.....	13
Table 42: Revenues and Benefits Evaluation Theme Weightings .....	13
Table 43: Revenues & Benefits Evaluation Scoring.....	13

## 1. Executive Summary

### 1.1. Introduction

This options appraisal is concerned with identifying the best future delivery option for the services in scope for the CSO and NSO projects in order to realise the potential benefits of the One Barnet Programme.

This future delivery option must support the aim of the One Barnet Programme to deliver a council that is focussed on the needs of its customers.

This options appraisal involves a total of eight services:

- Customer Services
- Estates
- Finance
- Human Resources
- Information Systems
- Legal Services
- Procurement
- Revenues & Benefits

### 1.2. Objectives

#### Customer Services Organisation

Our overarching aim for the One Barnet programme is to deliver a citizen-centred council - we believe that our residents deserve high levels of customer service from their council. The creation of a Customer Services Organisation is a key project to substantially improve customers' and residents' experience of dealing with the council through both improving direct customer services and developing a better understanding of their needs which will drive service improvements.

#### New Support Organisation

The project's aim is to enable the council's support services to be delivered differently to:

- provide improved services for their (internal) customers
- make savings to benefit the taxpayer
- enable them to adapt to a changing and evolving customer base in the light of any One Barnet developments and are therefore sustainable

### 1.3. Methodology

The methodology used for the appraisal of each individual service and the group of services involved:

- Identification of aims and objectives to be delivered
- Analysis of cost and performance
- Consideration of the viability of potential delivery options
- Recommendation of preferred options for future delivery of the services

## 1.4. Performance of Services

The analysis of cost and performance data indicates that the services split into four groups:

1. Two services (Customer Services; Information Systems) require major transformation
2. Two services (Estates; Procurement) require significant change and improvement
3. One service (Human Resources) is currently going through a transformation programme which started in 2009/10
4. Three services (Finance, Legal, Revenues & Benefits) perform well, but there is anticipated to be the potential to improve performance and reduce costs.

## 1.5. Potential Benefits

The expected benefits from delivering these services differently all link to the One Barnet programme aim to create a customer centred council.

- Increased customer satisfaction
- Save residents' and partners' time when interacting with the council
- Greater choice and control for residents and customers
- Increased quality of services
- Increased value for money
- Financial savings

## 1.6. Recommendations

The options appraisal recommends the following:

1. The procurement of a private sector partner(s) to deliver the following services:- Customer Services, Estates, Finance, Human Resources, Information Systems, Procurement, Revenues and Benefits.

Next steps should involve:

- production of a business case
- initiation of the procurement through the publication of an OJEU notice

It is recommended that no dialogue should commence until this business case is approved.

2. The production of business cases for the interim transformation (prior to transfer to a private sector partner) of:
  - Customer Services
  - Information Systems



3. The production of business cases for change and improvement (prior to transfer to a private sector partner) of:
  - Estates
  - Procurement
4. Production of a business case exploring the option for in-house transformation of the Legal service

## 2. Introduction

The One Barnet Programme is the council's response to address several drivers for change that have been identified:

- The anticipated financial pressures resulting from the global recession will bring the era of consistently increasing public sector budgets to an end. Within the council there is a funding gap of £47m over the next three years, and our public sector partners face challenges of a similar scale. There are other predicted pressures which would require us to make savings of £53m.
- Despite consistent improvements in service delivery, satisfaction with Barnet Council, as with other local authorities, has been on a consistently downward trend.
- Digital technology continues to change and develop, as do the ways that people use it to change and grow. Residents will continue to expect us to deliver against those standards of instant information and access to services.
- Our identification of the need to develop a new partnership with our residents to deliver services in future is echoed by the Coalition Government's focus on a Big Society.
- The Government's focus on localism and devolution sets a national context for our aim to provide local leadership and join up services across the public sector.

The aim of the One Barnet programme is to create a citizen-centred council which ensure that citizens get the services they need to lead successful lives, and to ensure that Barnet is a successful place. The council believes that this is best delivered through the adoption of the three key principles of the programme.

**A new relationship with citizens** - Enabling residents to access information and support and to do more for themselves

**A one public sector approach** - Working together in a more joined up way with our public sector partners to deliver better services

**A relentless drive for efficiency** - Delivering more choice for better value

### 2.1. Customer Services Organisation (CSO)

Our overarching aim for the One Barnet programme is to deliver a citizen-centred council. We believe that our residents deserve high levels of customer service from their council. Good customer service means a number of things - it means when a resident contacts us to request something, or complain we will deal with it quickly and efficiently and tell the customer what we have done. It means customers can access the information they need quickly and easily, and it means improving our self-service offer so that our citizens can do the things they need to when they want to, not just when we are open.

It also means much more than this - it means understanding customers' needs and reshaping services around them and their lives, rather than simply doing the things we already do a bit better or a bit faster. Council services are inevitably delivered through silos to some extent. It should not be the customers' job to join them up - we should do it for them.

The creation of a Customer Services Organisation is a key part of a wider set of projects to substantially improve customers' and residents' experience of dealing with the council. The key defining principles for these projects are:

- customers' experience should be personalised where possible
- customers should be able to make choices about their services
- but self-help should be encouraged, and choice availability and consequence should take account of the resource implications
- the service and information offered should aim to build capability
- Customer Services should act as advocates for individual customers and customers in general
- service provision should be based around people's lives, not service structures, and as such customer service should be joined up across all areas
- insight and data from customer interactions should be continually built in to delivery of services and the customer service offer
- customers should be able to access services and complete transactions online wherever possible and appropriate

The Customer Services Organisation is at the centre of this vision to create a customer-centric council. It will need to bring together customer facing staff from across the council in order to:

- create a relentless focus on excellent customer service where managers and staff have this as their sole focus, and are trained and equipped to do this effectively
- deal with customers as people with needs that cut across service boundaries through understanding the different interactions they have with the council and developing ways to meet them more efficiently

It will provide a key set of information for organisational decision-making:

- providing those commissioning services information about and understanding of their customers and their requirements
- challenging the organisation to change and deliver services that are best for customers
- advocating for the customer at all stages of their interaction with the council

Providing high quality, efficient and effective customer services is key to enabling the council to engage in a broader conversation with residents about

shared opportunities and responsibilities. It is at the heart of driving service improvements to deliver better services for less money.

## **2.2. New Support Organisation (NSO)**

The mandate<sup>1</sup> for the New Support Organisation project is:

1. Support services need to change in order to respond to the challenges and opportunities of the future
2. In-house improvement alone is not a sustainable option given the scale of the budget pressures and the opportunity to work more closely with partners

The project's aim is to enable the council's support services to be delivered differently to:

- provide improved services for their (internal) customers
- make savings to benefit the taxpayer
- enable them to adapt to a changing and evolving customer base in the light of any One Barnet developments and are therefore sustainable

The following services have been identified as in-scope for the project:

- Estates
- Finance
- Human Resources
- Information Systems
- Legal Services
- Procurement
- Revenues & Benefits

## **2.3. Methodology**

In summary the options appraisal methodology has involved:

- identification of aims and objectives to be delivered
- analysis of cost and performance of services
- identification of potential alternative delivery options
- development of evaluation themes against which to score each potential delivery option
- consideration of the viability of these options
- recommendation of preferred options for future delivery of the services

The detailed methodology can be found in Appendix A.

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<sup>1</sup> Cabinet, 6 July 2009; Cabinet, 21 October 2009

### 3. Options Appraisal

This options appraisal is concerned with identifying the best future delivery option for the eight services in scope for the CSO and NSO projects in order to realise the potential benefits identified as part of the One Barnet programme.

This section of the document presents a combined options appraisal for all of the services, identifying where appropriate the synergies and differences between them.<sup>2</sup>

#### 3.1. Aims and objectives

All services, regardless of the type of customer, should be aiming to deliver the best possible service focussed around their customers needs.

It is important to understand that in the context of the CSO and NSO projects the customers of these services may include residents, local businesses, internal council services and other public sector partners.

In line with the One Barnet principles all services should:

Aims and objectives	One Barnet principle
<ul style="list-style-type: none"> <li>• be designed and delivered around customers' needs</li> <li>• provide the best possible customer experience</li> <li>• enable customers to help themselves by providing accurate and accessible information and enabling self-service wherever possible</li> </ul>	A new relationship with citizens
<ul style="list-style-type: none"> <li>• be in a position to support the requirements of all public sector partners and drive better multi-agency working</li> <li>• be flexible and therefore able to rapidly respond to changing demands</li> </ul>	A one public sector approach
<ul style="list-style-type: none"> <li>• operate as efficiently as possible to both minimise the cost of the service and minimise the cost to customers of accessing the service</li> <li>• be innovative and take advantage of evolving technology, thinking and practice</li> <li>• maximise the value the council achieves from all its assets (capital and revenue)</li> <li>• safeguard the council's position to maintain its reputation and comply with legal responsibilities</li> </ul>	A relentless drive for efficiency

Table 1: Aims and Objectives

<sup>2</sup> Detailed options appraisals for the eight services individually are available in Appendix F.

### 3.2. Scope

The eight services in scope have been defined and are currently understood as follows.

Service	Scope	FTE
Customer Services	Transactional customer services <ul style="list-style-type: none"> <li>- current Customer Services Team (5 functions)</li> <li>- Business Support Team in Planning, Housing and Regeneration (6 functions)</li> <li>- 35 further functions devolved within services</li> <li>- functions operate across all contact channels (telephone, face-to-face, email, post or web)</li> </ul> Customer Insight and transforming the customer experience <ul style="list-style-type: none"> <li>- production of intelligence on customers, their needs and their service use</li> <li>- customer advocacy</li> <li>- service re-design</li> </ul>	Approx 220
Estates	Facilities Print and Document Management Capital and Asset Management Property Services Does not include Greenspaces and maintenance of housing stock	81.28

Service	Scope	FTE
Finance	Includes any function that appears to be finance i.e. deals with money, except those in Revenues & Benefits as they are elsewhere in the project's scope. There are some finance activities which are devolved within services, but the vast majority is consolidated within the Finance service.  Does not include Internal Audit as this needs to be independent for governance reasons and to avoid conflicts of interest	120.86
HR	All Human Resources activity, including traded service to schools	82.12
Information Systems	Includes all IT activity e.g. software & hardware support, report writing, IT training  Delivers via a mixed model - some functions within the centralised service, some devolved in services and some outsourced to third party providers	61.8
Legal	The majority of functions are delivered in-house through the centralised Legal Team  Large scale projects such as PSCIP, BSF, One Barnet, regeneration projects engage legal services from the market to bring in the required capacity and expertise	32.8
Procurement	Contract management Transactional procurement Central purchasing Complex procurement	5.6 <sup>3</sup>

<sup>3</sup> Corporate Procurement team is 5.6 FTE, but as Procurement is largely devolved within services that total number of FTEs in scope is unknown.

Service	Scope	FTE
Revenues & Benefits	Local taxation – billing, collection of council tax and NNDR Benefits – administration and management of housing and council tax benefits Revenues Control – oversight and management of IT systems and data	165
Total		771.71

Table 2: Scope of Services



### 3.3. Costs

It is important to understand the costs of services, particularly to understand how the cost of the service (and its relative performance) compares to other local authorities. This understanding will enable potential benefits to be assessed qualitatively through the options appraisal and quantitatively through the subsequent business case development process.

This options appraisal has tried to identify the true cost of end-to-end delivery of these services – this includes centralised functions and activity devolved within directorates. For this reason figures below will not tally to published accounts and budget figures.

The figures in the tables below give an indication of the expenditure and income of the services in scope.

More accurate costs for these services will be developed through the production of the business case.

	2007/08 Actual/£	2008/09 Actual/£	2009/10 Actual/£	2010/11 Budget/£
Customer Services <sup>4</sup>	~3,300,000	~3,300,000	~3,300,000	3,312,000
Estates	13,503,387	14,051,191	15,118,833	12,941,410
Finance	4,794,721	4,795,628	5,579,433	5,152,117
Human Resources	3,494,323	3,367,134	4,423,030	4,237,310
Information Systems	9,583,470	9,679,591	9,437,102	9,438,440
Legal	2,300,004	2,178,573	2,268,801	2,436,760
Procurement	918,215	2,302,491	1,894,068	1,718,232
Revenues & Benefits	6,421,151	6,601,333	6,901,038	7,417,020
Totals <sup>5</sup>	44,315,271	46,275,941	48,922,305	46,653,289

Table 3: Service Expenditure

<sup>4</sup> Figures for staff costs identified as engaged in “Front-office” customer service activity for 2010/11. For more detail of costs for CSO please see Appendix F, section F.1.4. Figures have been estimated (with no change for 2007/08, 2008/09, 2009/10) to enable comparison of the trend of total cost of the eight services across this period.

<sup>5</sup> Figures for 2007/08, 2008/09, 2009/10 include estimated costs for Customer Services.

	2007/08 Actual/£	2008/09 Actual/£	2009/10 Actual/£	2010/11 Budget/£
Estates	5,876,502	6,214,923	7,014,214	5,100,060
Finance	1,349,775	1,293,362	1,384,759	1,435,102
Human Resources	1,922,607	2,039,298	1,310,672	1,473,190
Information Systems	1,875,528	1,940,101	2,245,982	2,371,180
Legal	676,951	771,143	836,360	586,740
Procurement	60,951	462,088	286,800	32,200
Revenues & Benefits	4,186,753	4,311,789	4,364,943	4,160,910
Totals	15,949,067	17,032,704	17,443,730	15,159,382

Table 4: Service Income

### 3.4. Change Required

Analysis of data about the individual services enables the potential for improvement to be assessed. This analysis has identified that there are six key areas in which improvement is possible or required for these services.

Improvement area	Assessment criteria
Customer focus	Is the service designed and delivering around the requirements of its customers?
Cost	How much does the service cost against comparators?
Performance	How well does the service perform against comparators and customer requirements?
Systems maturity	How well do IT systems support the effective delivery of the service?
Service maturity	How established is the service and how mature is its operating model?
Staff capability	To what extent staff across the service have all the required skills and knowledge to deliver a high quality service?

Table 5: Improvement Areas

Each of the improvement areas were scored with the service leads. The table below shows how the scores for each of the improvement areas are represented.

Improvement area	Scoring
Customer focus	✓ = yes ✗ = no
Cost	£ = low comparative cost ££ = medium comparative cost £££ = high comparative cost ? = not possible to compare costs
Performance	✓✓ = best-in-class ✓ = well performing ✗ = adequately performing ✗✗ = low performing ✗✗✗ = very low performing
Systems maturity	✓ = systems fully supporting delivery of service ✗ = systems require minor development ✗✗ = systems require some development ✗✗✗ = systems require major development
Service maturity	✓ = service mature and established ✗ = service requiring some change ✗✗ = service requiring transformation
Staff capability	✓ = staff are appropriately skilled and knowledgeable ✗ = staff group have some skill and knowledge gaps ✗✗ = staff group have significant skill and knowledge gaps

Table 6: Scoring of improvement areas

The table shows the individual service assessments for each of the improvement areas, as identified through analysis of data with service leads.

Service	Customer focus	Cost	Performance	Systems maturity	Service maturity	Staff Capability
Customer Services	x	£££	xxx	xxx	xx	xx
Estates	x	?	xx	xx	xx	x
Finance	✓	££	✓	x	✓	✓
Human resources	✓	£	x	x	x	xx
Information Systems	x	£	xx	✓ <sup>6</sup>	xx	x
Legal	✓	£	✓	✓	✓	✓
Procurement	x	?	xx	x	xx	x
Revenues & Benefits	✓	£	✓	✓	✓	✓

Table 7: Consolidated Service Analysis

Analysis indicates that the services can be split into four groups:

1. Two services (Customer Services; Information Systems) require major transformation
2. Two services (Estates; Procurement) require significant change and improvement
3. One service (Human Resources) is currently going through a transformation programme which started in 2009/10
4. Three services (Finance, Legal, Revenues & Benefits) perform well, but there is anticipated to be the potential to improve performance and reduce costs

### 3.5. Evaluation

The options appraisal has used a five stage approach to evaluate potential options for future delivery:

1. Identify key evaluation themes to assess the services against (for detail see section A.2.1)
2. Identify the potential delivery options for these services (for detail see section A.2.2)

<sup>6</sup> This is referring to the systems used to support the effective running of the IS service i.e. the Helpdesk tool, which is the IS case management system.

3. Identify how well the delivery option can be expected to deliver against that theme for that service on a scale of 1 to 5
4. Based on the requirements of the service apply a percentage weighting to each theme indicating the level of importance – a higher percentage weighting indicates higher importance
5. By service calculate a total score for each delivery option – the preferred delivery option(s) being the one with the highest total score

### 3.5.1. Evaluation Theme Weightings

The weighting for each theme has been developed from an understanding of the areas for improvement for each of the individual services. The rationale behind these weightings is in the table below.

Area for Improvement	Linked Themes	Explanation
Customer focus	<ul style="list-style-type: none"> <li>- Service Transformation</li> <li>- Pace</li> <li>- Flexibility</li> </ul>	Where services are not designed around the needs of their customer the service transformation, pace and flexibility themes will be given higher importance.
Cost	<ul style="list-style-type: none"> <li>- Price</li> <li>- Income generation</li> </ul>	A higher weighting will be applied where cost reduction or increased income generation is important.
Performance	<ul style="list-style-type: none"> <li>- Performance</li> </ul>	A higher weighting will be applied where improved performance is important.
System maturity	<ul style="list-style-type: none"> <li>- Investment</li> <li>- Service Transformation</li> </ul>	Where systems are immature a greater level of importance will be placed on the investment and service transformation themes.
Service maturity	<ul style="list-style-type: none"> <li>- Service transformation</li> <li>- Pace</li> </ul>	Where the service is immature a greater level of importance will be placed on the service transformation and apace themes.
Staff capability	<ul style="list-style-type: none"> <li>- Investment</li> <li>- Service Transformation</li> </ul>	Where there are identified gaps in staff capability investment is required to train staff, with service transformation essential to realise the benefits of this improved staff capability through working in different ways.

Table 8: Link between Areas for Improvement and Evaluation Themes

The weightings against each evaluation theme developed with service leads are identified in the table below.

Service	Price	Investment	Income Generation	Pace	Flexibility	Performance	Service Transformation
Customer Services	2	2	0	3	1	3	3
Estates	3	2	0	1	2	2	3
Finance	4	1	1	0	2	3	3
Human resources	3	2	1	2	1	2	2
Information Systems	3	2	0	2	1	3	3
Legal	4	0	0	0	4	4	0
Procurement	4	0	0	2	1	3	3
Revenues & Benefits	4	0	0	1	3	4	0

Table 9: Evaluation weightings for each Service

0 0 – 5% importance, 1 6 – 10% importance, 2 11 – 15% importance, 3 16 – 20% importance, 4 greater than 21% importance

### 3.5.2. Evaluation Scores

The weighted themes produce a score for each delivery option for each service (see Appendix A for details). This table shows the scores and highlights the highest scoring delivery option for each service.

Service	In-house		Public sector partnership	Private sector partnership		
	In-house transformation	Consulting-led transformation	Shared Service	Strategic Partnership	Incremental Partnership	Private Sector Joint Venture
Customer Services	2.4	2.95	2.1	3.65	3.35	3.5
Estates	2.45	2.75	2.2	3.8	3.45	3.6
Finance	2.55	2.65	2.3	3.9	3.55	3.65
Human Resources	2.3	2.7	2.1	3.7	3.35	3.5
Information Systems	2.45	2.85	2.15	3.8	3.45	3.6
Legal Services <sup>7</sup>	3.16	2.72	2.55			
Procurement	2.55	2.95	2.15	3.8	3.5	3.55
Revenues & Benefits	2.85	2.7	2.35	3.9	3.55	3.6

Table 10: Scores for each Delivery Option for each Service

<sup>7</sup> The Legal Service has not been scored for any of the options that involve a private sector partnership, as a Soft-Market Testing exercise indicated that there was no viable market for the provision of Legal Services through this sort of arrangement.

### 3.6. Benefits

This options appraisal has identified that in order to address the areas for improvement (identified in section 3.4) these services need to be delivered differently. The potential benefits to the council's customers of delivering these services differently are identified in the table below.

Benefit	Outcomes
Increased customer satisfaction	Services delivering differently, designed around the requirements of their customer
Save customers' and partners' time when interacting with the council	Better customer service processes, including effective use of technology Improved customer focus of services Greater use of self-service
Greater choice and control for residents and customers	Effective use of technology to deliver customer services
Increased quality of services	Higher-performing services that deliver what their customers' require Effective use of technology to support efficient service delivery and management decision-making More skilled and knowledgeable staff
Increased value for money	Higher-performing services that ensure every pound is spent effectively Effective use of technology to support efficient service delivery and management decision-making
Financial savings	Reduced cost of delivering in scope services Reduced time by staff outside of the in scope services working on functions within the responsibility of these services

Table 11: Potential Benefits



### 3.7. Conclusions

#### 3.7.1. CSO/NSO Procurement

The Strategic Partnership delivery option scores highest for the following seven services:

- Customer Services
- Estates
- Finance
- Human Resources
- Information Systems
- Procurement
- Revenues and Benefits

More detailed analysis identifies that the factors behind the high scores for the Strategic Partnership delivery option are the price, investment and performance themes. The scores attributed to these themes are predicated on there being a potential to improve performance and reduce cost through this delivery option.

The potential to improve performance and reduce cost will be further detailed through the production of a business case. The real test of the performance improvement and cost reduction potential will be the procurement process. The business case should also address the following points:

- Should all of the services be delivered by one partner?
- What element of the services should be retained by the council?
- How should the private sector partner(s) be incentivised to continually meet the needs of Barnet's customers?

This procurement process should be for a private sector partner to deliver these services. The process should allow the option to form a Strategic Partnership, an Incremental Partnership or a Joint-venture, as each of these delivery options scored similarly – the process will identify the most suitable option for Barnet.

#### 3.7.2. CSO/NSO Transformation

Section 3.4 identifies that major transformation is required for two services:

- Customer Services
- Information Systems

And significant change and improvement is required for two services:

- Estates
- Procurement

Given the conclusion in 3.7.1 that the recommended delivery option is through a partnership with the private sector, it must be recognised that any benefits delivered through such a delivery vehicle will not be realised until the new partner(s) has been procured and more likely to be a minimum of six months after the contract has been mobilised.

This recognition leads to the conclusion that for these services some form of internal transformation and change must be delivered in the interim. This was

supported by the pace and service transformation theme scores which when looked at in isolation recommended a consultant led internal transformation.

The potential for interim transformation and change will be further detailed through the production of business cases.

### **3.7.3. Legal Services**

For Legal Services the in-house transformation delivery option scores highest.

A business case for future delivery of the Legal service, exploring the potential for in-house transformation should be produced. This should particularly assess how the service's customers should be provided with more flexible legal services.

## 4. Recommendations

The options appraisal recommends the following:

1. The procurement of a private sector partner(s) to deliver the following services:- Customer Services, Estates, Finance, Human Resources, Information Systems, Procurement, Revenues and Benefits.

Next steps should involve:

- production a business case
- initiation of the procurement through the publication of an OJEU notice

It is recommended that no dialogue should commence until this business case is approved.

2. The production of business cases for the interim transformation (prior to transfer to a private sector partner) of:
  - Customer Services
  - Information Systems
3. The production of business cases for change and improvement (prior to transfer to a private sector partner) of:
  - Estates
  - Procurement
4. Production of a business case exploring the option for in-house transformation of the Legal service

## Appendix A. Options Appraisal Methodology

### A.1. Process

For each service, in conjunction with service leads, the options appraisal has:

1. Identified its aims and objectives
2. Analysed the relative costs and performance:
  - captured data and baselined performance, cost and quality
  - analysed data and compared to available benchmarking information
  - identified what is required to deliver the service's aims and objectives
  - assessed potential benefits that can be achieved by the service meeting its aims and objectives
3. Evaluated potential options for future delivery of the service against a set of themes (section A.2 explains the approach to evaluation in more detail)

It is important to understand that this options appraisal presents high-level indicative figures based on the information available at the time of writing and that any anticipated benefits have been expressed in qualitative terms. The purpose of the business case is to develop, subsequent to the options appraisal:

1. A detailed baseline of the cost of delivering the services currently
2. Models for the cost of delivering the preferred option
3. Quantified potential financial and non-financial benefits to be realised by delivering the preferred option

### A.2. Approach to evaluation

The options appraisal has used a five stage approach to evaluate potential options for future delivery:

1. Identify key evaluation themes to assess the services against (for detail see section A.2.1)
2. Identify the potential delivery options for these services (for detail see section A.2.2)
3. Identify how well the delivery option can be expected to deliver against that theme for that service on a scale of 1 to 5
4. Based on the requirements of the service apply a percentage weighting to each theme indicating the level of importance – a higher percentage weighting indicates higher importance
5. By service calculate a total score for each delivery option – the preferred delivery option(s) being the one with the highest total score

### A.2.1 Evaluation Themes

The table below describes each of the evaluation themes developed for this options appraisal.

One Barnet Theme	Theme	Evaluation Considerations	A high score indicates
A Relentless drive for efficiency	Price	<ul style="list-style-type: none"> <li>The medium to long-term delivery cost of the service including all set-up and termination costs (including the ability to deliver savings)</li> <li>The delivery cost of the service in the short-term (including the ability to deliver savings)</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in medium to long-term delivery costs</li> <li>Reduction in short-term delivery costs</li> </ul>
	Investment	<ul style="list-style-type: none"> <li>The ability of the option to provide investment into the service</li> <li>The cost to Barnet Council of investment in the service</li> </ul>	<ul style="list-style-type: none"> <li>The option is readily able to provide investment</li> <li>The up-front cost of investment to Barnet Council would be low i.e. spread over the life of a contract</li> </ul>
	Income Generation	<ul style="list-style-type: none"> <li>The ability to generate increased income</li> </ul>	<ul style="list-style-type: none"> <li>An option that is readily able to increase income</li> </ul>
A One Barnet Approach	Pace	<ul style="list-style-type: none"> <li>How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>How long will it take to implement</li> <li>How long will it take to deliver transformational change</li> </ul>	<ul style="list-style-type: none"> <li>An option that will quickly start to realise benefits and meet the aims and objectives for the service</li> <li>An option that can be quickly implemented</li> <li>An option that minimises the disruption to service</li> </ul>

One Barnet Theme	Theme	Evaluation Considerations	A high score indicates
	Flexibility	<ul style="list-style-type: none"> <li>The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>The ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>An option that is readily able to adapt and change in line with changing requirements and with limited cost to the council</li> <li>An option that is readily able to adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ul>
A New Relationship with Citizens	Performance	<ul style="list-style-type: none"> <li>The potential to increase performance against current benchmarks of performance</li> <li>The potential to improve the citizen experience and satisfaction levels</li> </ul>	<ul style="list-style-type: none"> <li>An option that is “readily” able to deliver a consistently higher performing service against standard benchmarks</li> <li>An option that improves the citizen experience and satisfaction levels</li> </ul>
	Service Transformation	<ul style="list-style-type: none"> <li>The ability to transform the service to put the customer at the heart of service delivery</li> <li>The ability to bring and maintain creativity and innovation to service delivery</li> </ul>	<ul style="list-style-type: none"> <li>An option that is readily able to transform the customer experience</li> <li>An option that brings and maintains a high-level of creativity, innovation and insight in to the delivery of the service</li> </ul>

Table 12: Evaluation Themes

### A.2.2 Potential Service Delivery Options

The following table describes the seven delivery options that have been considered during the evaluation exercise in this options appraisal.<sup>8</sup> Further tables then outline the strengths, weaknesses and impact on staff of each potential delivery option.

Delivery Option	Description
In-house with internal transformation	<p>In-house transformation involves retention of the service in-house within the council and an internally led and driven transformation programme. This would require the necessary vision, leadership, skills, knowledge, financial resources and capacity to deliver a major change programme internally.</p> <p>Typically, organisations identify specific funding sources to service investment, and use secondment arrangements or similar to allow key staff to be dedicated to the change programme.</p>
In-house with consultant led transformation	<p>The service will remain in-house and the organisation will engage a “consulting partner” to support the design, development and delivery of the transformation programme.</p> <p>Typically the consultant will undertake a programme management role and provide specialist resources to fill capacity and skills gaps. A key part of the engagement will be growing the internal capacity of the organisation by skills and knowledge transfer. Implementation is usually undertaken by the organisation, although they may be supported by the consultant in project management, procurement of solutions, and change management.</p> <p>The consulting partner shares some risk up to the point of business case sign off, but implementation risk in this model rests with the organisation.</p>

<sup>8</sup> The following options have not been considered:

1. Local Authority Trading Company – this is not a viable option for these services
2. Management buy-out – this is not a viable option for these services as there is no appetite within the management teams to explore this.

Delivery Option	Description
Shared Service	<p>Shared Service refers to the provision of a service by one organisation or group of organisations where that service had previously been delivered in more than one organisation. The purpose of Shared Services is to combine and streamline functions and assets to ensure that they deliver the services required of them as effectively and efficiently as possible to the participating organisations.</p> <p>This option involves two or more public sector organisations collaborating to develop a shared solution, sometimes with external funding (this could be described as a public-sector Joint Venture). The relationship between the local authorities is regulated by a contract either for services or co-operation. This relationship may involve one local authority as the lead authority (involving some staff transfer and/or redeployment).</p>
Strategic Partnership	<p>This option involves a procurement process to identify a strategic partner to whom responsibility and risk for service delivery will be transferred. This is a relationship, not purely a contractual provision of service and the relationship with the partner needs to be equally focussed at delivering wider aspirational targets, e.g. transformation of the customer experience, as delivering day-to-day service.</p> <p>This model can make a much wider strategic contribution to the organisation by delivering additional external benefits, as well as delivering improvements and efficiencies in core services.</p>
Incremental Partnership	<p>The organisation identifies a wide scope of services in need of improvement/efficiency gain, but recognises that it cannot deliver transformation itself. The organisation contracts initially for a strategic partner to transform and deliver a small scope of services, with the option to increase the scope over time as the provider meets all performance and partnership measures within the arrangement and the council becomes ready to transfer additional services.</p> <p>The Council continues to deliver small scale improvement in non-transferred services pending a decision to increase the scope of the partnership. Service delivery and commercial risk is passed to the partner for all transferred services.</p>



Delivery Option	Description
Private Sector Joint Venture	<p>The term joint venture (JV) can describe a range of different commercial arrangements between two or more separate entities. Each party contributes resources to the venture and a new business is created in which the parties collaborate together and share the risks and benefits associated with the venture. For the public sector the success of the partnering vehicle can generate significant value for money, community benefit and potentially income. For the private sector it can be profile-enhancing and help to generate income via additional third-party contracts.</p> <p>The joint venture parties have a 'shared vision' about the objectives for the venture to be delivered through the partnership. Each party generally has an expertise or need which is central to the development and success of the new business which they decide to create together.</p> <p>A joint venture involves risk sharing; it is suitable where a jointly owned and managed organisation offers the best structure for the management and mitigation of risk and realisation of benefits.</p> <p>Joint ventures are often used to deliver ICT, HR, public access, revenues and benefits, learning and development and web services.</p>

Table 13: Description of Potential Delivery Options

### A.3. Governance

The table below outlines who has been involved in the development of the options appraisal:

Section	Development	Comment	Approval
Aims & Objectives	<ul style="list-style-type: none"> <li>- Service Leads</li> <li>- Project Team</li> </ul>	<ul style="list-style-type: none"> <li>- Project Sponsors</li> </ul>	<ul style="list-style-type: none"> <li>- Project Board</li> </ul>
Analysis of costs & performance	<ul style="list-style-type: none"> <li>- Service Leads</li> <li>- Service Representatives</li> <li>- Project Team</li> <li>- Implementation Partner</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation Partner</li> <li>- Project Board</li> </ul>	<ul style="list-style-type: none"> <li>- Service Leads</li> </ul>
Evaluation themes	<ul style="list-style-type: none"> <li>- Project Team</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation Partner</li> </ul>	<ul style="list-style-type: none"> <li>- Service Leads</li> <li>- Project Board</li> </ul>
Evaluation weightings	<ul style="list-style-type: none"> <li>- Service Leads</li> <li>- Project Team</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation Partner</li> <li>- Project Sponsors</li> </ul>	<ul style="list-style-type: none"> <li>- Project Board</li> </ul>
Evaluation matrix scores	<ul style="list-style-type: none"> <li>- Project Team</li> </ul>	<ul style="list-style-type: none"> <li>- Assistant Director – Commercial</li> <li>- Assistant Director – Strategic Finance</li> <li>- Implementation Partner</li> </ul>	<ul style="list-style-type: none"> <li>- Project Board</li> </ul>
Complete report	<ul style="list-style-type: none"> <li>- Project Team</li> <li>- Service Leads</li> </ul>	<ul style="list-style-type: none"> <li>- Service Leads</li> <li>- Senior Users</li> <li>- Directors</li> <li>- Lead members</li> <li>- Implementation Partner</li> </ul>	<ul style="list-style-type: none"> <li>- Project Board</li> <li>- Corporate Directors Group</li> <li>- Lead members</li> </ul>

Table 14: Governance arrangements

The options appraisal will be presented to Cabinet Resources Committee for final approval.

The process for development of this options appraisal has been discussed with Trade Unions on a number of occasions through its development. An embargoed version of an earlier draft of this document was given to the Trade Unions and a critique received from them. This critique and a commentary on

it, responding to the points raised will be submitted along with this report to CRC.

Staff were briefed on the proposed recommendations of the options appraisal via briefings in February 2011.

## Appendix B. Evaluation matrix

### B.1. Scores

The scores in the table below have been used to score how well each of the evaluation themes will be delivered by each Potential Service Delivery Option. Scores are on a scale of 1 to 5 - a high score indicating the option will deliver well against the theme.

Theme	In-house		Public sector partnership	Private sector partnership		
	In-house transformation	Consulting-led transformation	Shared Service	Strategic Partnership	Incremental Partnership	Private Sector Joint Venture
	Score	Score	Score	Score	Score	Score
Price	3	2	2	5	4	4
Investment	1	1	2	4	3	4
Income generation	1	2	2	3	3	3
Pace	2	4	1	2	2	2
Flexibility	4	3	3	3	3	3
Performance	3	3	3	4	4	4
Service transformation	2	4	2	4	4	4
Total	16	19	15	25	23	24

Table 15: Evaluation Matrix

## B.2. Rationale behind scores

Theme	Rationale
Price	A partnership with the private sector will provide the lowest cost delivery option due to the potential for use of proprietary software and significant economies of scale. It would also contractually guarantee savings and therefore benefits, which would not be guaranteed through an in-house option. Experience of other local authorities shows that Joint Ventures with the private sector do not always provide as good a price as strategic partnerships. A consulting-led transformation will cost more than an in-house transformation.
Investment	A partnership with the private sector will be the option best able to provide investment into the service, which would not be possible through an in-house option due to the state of the council's finances.
Income generation	A partnership with the private sector will be more commercially focussed and therefore better able to generate income due to the capacity available and incentivisation possible within the private sector.
Pace	Any in-house option will deliver faster than a partnership with the private sector because there will be no requirement for a lengthy procurement process. An in-house, consulting-led transformation will deliver faster than in-house transformation alone due to the presence of the consulting partners.
Flexibility	In-house options are inherently the most flexible as all control is retained in-house and therefore is directly within the council's control. Private sector partnerships provide high-levels of flexibility to respond to fluctuating demand due to the scale of their operation. Any flexibility with a private sector partner will need to be negotiated into the contract and developed through the dialogue phase of procurement.
Performance	A partnership with the private sector would be expected to deliver the greatest level of performance due to the expertise and best-of-breed capability it would bring. The client-side of any partnership will be critical in monitoring the level of performance.

Theme	Rationale
Service transformation	An in-house consulting led transformation and a partnership with the private sector scores highest as this will enable the transformation to most be focussed on Barnet's priorities, with the partner bringing expertise and innovation to the organisation, which would not be available through an in-house option alone. The in-house option scores low due to the track-record of not being able to deliver substantial transformation in-house.

Table 16: Rationale behind scores in Evaluation matrix

### Appendix C. Assessment of strengths of potential delivery options

The table below outlines the perceived strengths of each potential delivery option.

Delivery Option	Strengths
In-house with internal transformation	<ul style="list-style-type: none"> <li>• The organisation retains full control of any transformation programme and therefore is able to change and adapt that programme to directly meet its changing organisational needs and objectives</li> <li>• The organisation benefits from all efficiency</li> <li>• Staff within the organisation working on the transformation grow their skills and knowledge</li> </ul>
In-house with Consultant Led transformation	<ul style="list-style-type: none"> <li>• The organisation retains full control of any transformation programme and therefore is able to change and adapt that programme to directly meet its changing organisational needs and objectives</li> <li>• The organisation benefits from all efficiency</li> <li>• Staff within the organisation working on the transformation grow their skills and knowledge</li> <li>• Specialist knowledge, expertise and experience are bought into the transformation by the consulting partner</li> <li>• The pace of transformation will be fast as the consultancy will have a financial imperative to drive this quickly</li> </ul>
Shared Service	<ul style="list-style-type: none"> <li>• This option brings benefits associated with the sharing of knowledge and practice from the constituent organisations. This may involve sharing best practice in business processes, leveraging expertise, pooling knowledge about what works across different parts of the organisation and different geographical regions, and sharing knowledge about customers.</li> <li>• Benefits are realised from reduced overheads, economies of scale and elimination of duplication of effort to streamline and simplify services to reduce costs.</li> </ul>

Delivery Option	Strengths
Strategic Partnership	<ul style="list-style-type: none"> <li>• Responsibility and risk for delivering service can be transferred to the strategic partner, although this is at a cost to the council</li> <li>• Savings for services transferred can be guaranteed by the partner and due to the scope of the services transferred the size of potential efficiencies is likely to be larger than other options</li> <li>• A competitive procurement process would be expected to provide low-priced service delivery with a contractually underwritten level of savings from the start of the contract</li> <li>• Under performance can be financially penalised through a contract</li> <li>• The partner will bring expertise, knowledge, creativity and innovation about how to deliver and transform the services</li> <li>• The pace of transformation will be fast as the partner will have a financial imperative to drive this quickly</li> <li>• The contractual relationship enables the partner to inject investment into the service up-front, but this to be paid back by the council over the life of the contract</li> <li>• The partner can be incentivised to deliver transformation and bring innovation to the working of the council</li> </ul>



Delivery Option	Strengths
Incremental Partnership	<ul style="list-style-type: none"> <li>• Responsibility and risk for delivering service is transferred to the strategic partner</li> <li>• The council retains power in the relationship through the power to transfer additional services only when it is convinced that the partner is performing sufficiently well to take on additional responsibilities. The performance of services is contractually underwritten once services are transferred.</li> <li>• Savings for services transferred are guaranteed by the partner; however, due to the incremental nature of the partnership the size of potential efficiencies will not be as large as for a strategic partnership</li> <li>• A competitive procurement process would be expected to provide low-priced service delivery with a contractually underwritten level of savings from the start of the contract</li> <li>• Under performance can be financially penalised through a contract</li> <li>• The partner will bring expertise, knowledge, creativity and innovation about how to deliver and transform the services</li> <li>• The pace of transformation will be fast for transferred services as the partner will have a financial imperative to drive this quickly, although this is not anticipated to be as fast as a full strategic partnership</li> <li>• The contractual relationship enables the partner to inject investment into the service up-front, but this to be paid back by the council over the life of the contract</li> <li>• The partner can be incentivised to deliver transformation and bring innovation to the working of the council</li> </ul>

Delivery Option	Strengths
Private Sector Joint Venture	<ul style="list-style-type: none"> <li>• The structure encourages a combined focus on achievement of a jointly agreed business plan, achieving goals and direct accountability for the performance of a joint venture's business.</li> <li>• Both partners can gain significant benefits, including sharing experience, skills, people, equipment and customer bases.</li> <li>• Commercial risk (and reward) are shared between the venture partners.</li> <li>• A joint venture enables a level of diversification and organic growth using an increased pool of resources, not available in an in-house service.</li> <li>• The option has the potential to reduce any conflict of interest that could possibly arise with one strategic partner alone. Joint ventures can be flexible. For example, a joint venture can have a limited life span, thus limiting both council commitment and the business' exposure.</li> </ul>

Table 17: Assessment of strengths of potential delivery options

### Appendix D. Assessment of weaknesses of potential delivery options

The table below outlines the perceived weaknesses of each potential delivery option.

Delivery Option	Weaknesses
In-house with internal transformation	<ul style="list-style-type: none"> <li>• The organisation retains all transformational risk, and based on experience (there is no past example of successful major in-house transformation in Barnet) is unlikely to deliver the full expected benefit in a timely manner</li> <li>• The organisation does not possess all the skills or experience necessary to deliver major transformation</li> <li>• The organisation has to bear all the financial cost of transformation up-front</li> </ul>
In-house with Consultant Led transformation	<ul style="list-style-type: none"> <li>• The organisation retains the vast majority of transformational risk</li> <li>• The organisation has to bear all the financial cost of transformation up-front</li> </ul>
Shared Service	<ul style="list-style-type: none"> <li>• Local authorities have talked about shared services for a number of years and there is often willingness to talk; however there is little evidence of them being developed and made a reality and really delivering benefits. One of the biggest challenges in establishing shared services is the political and governance implications of pooling resources with other local authorities, and the perceived 'letting go' of direct control</li> <li>• Shared services arrangements often fail when the partners are at different stages on the road to accepting the need for change, as well as having a different ability and capacity to deliver change</li> <li>• There are significant set-up costs in establishing shared service arrangements, even in relation to relatively straightforward back-office functions</li> </ul>

Delivery Option	Weaknesses
Strategic Partnership	<ul style="list-style-type: none"> <li>• The organisation loses control over how the service is delivered (but has a contract to underwrite what is delivered)</li> <li>• The longer term incentive for continuous improvement is diminished where the partner has exhausted the opportunity to grow their contract</li> <li>• The procurement and contract development process can be lengthy and expensive</li> <li>• The council will need to establish a different operating model with a not insignificant client-side, with staff of very different skill sets to those currently in the organisation</li> </ul>
Incremental Partnership	<ul style="list-style-type: none"> <li>• The organisation loses control over how the service is delivered (but has a contract to underwrite what is delivered)</li> <li>• The longer term incentive for continuous improvement is diminished where the partner has exhausted the opportunity to grow their contract (i.e. once all in-scope services have transferred)</li> <li>• The procurement and contract development process will be lengthy and expensive</li> <li>• The council will need to establish a different operating model with a not insignificant client-side, with staff of very different skill sets to those currently in the organisation</li> <li>• Transformation and therefore benefits will only be delivered once services have transferred, therefore the pace of benefits realisation will not be as fast as for a strategic partnership</li> </ul>

Delivery Option	Weaknesses
Private Sector Joint Venture	<ul style="list-style-type: none"><li>• Costs for setting up a joint venture will be very high as this requires an extremely complicated contractual relationship</li><li>• A joint venture can be less effective if the parties involved have differing or conflicting philosophies governing expectations and objectives. Even though different institutions can sign up to a common vision and set of objectives, institutional priorities can still interfere.</li><li>• Problems can occur if there is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners. The result could be that one partner may dominate the other.</li><li>• A local authority may not wish to be associated with a very profitable joint venture, or with a financially unsuccessful one potentially failing to deliver high-profile services</li></ul>

Table 18: Assessment of strengths of potential delivery options

### Appendix E. Assessment of Impact on Staff of potential delivery options

The table below outlines the perceived impact on staff of each potential delivery option. Under any of the following delivery models there will undoubtedly be the requirement for staff reductions due to the economic climate.

Delivery Option	Impact on Staff
In-house with internal transformation	<ul style="list-style-type: none"> <li>• Staff would remain as local authority employees on their existing terms and conditions</li> <li>• Staff would go through a major transformation programme including cultural step-change, performance management and business improvement</li> <li>• Potential reduction in staffing requirement through the transformation process</li> <li>• Individuals with key skills may be seconded between directorates to implement the proposed changes</li> <li>• Limited investment opportunity for upskilling, employee development, asset and systems update</li> </ul>
In-house with Consultant Led transformation	<ul style="list-style-type: none"> <li>• Staff would remain as local authority employees on their existing terms and conditions</li> <li>• Staff would go through a major transformation programme including cultural step-change, performance management and business improvement</li> <li>• Staff may be upskilled due to external influence from activity specific consultants with a wider view of their industry</li> <li>• Limited investment opportunity for employee development, asset and systems update</li> <li>• Potential reduction in staffing requirement through the transformation process</li> </ul>

Delivery Option	Impact on Staff
Shared Service	<ul style="list-style-type: none"> <li>• Staff may remain as employees on existing terms and conditions</li> <li>• Staff may be subject to a TUPE transfer to a partnering public sector organisation</li> <li>• Staff would go through a major transformation programme</li> <li>• Opportunity to share/gain expertise and external insight from colleagues in a third-party organisation</li> <li>• Limited potential for investment opportunity for upskilling, employee development, asset and systems update</li> <li>• Potential for accommodation transfer to a partners premises</li> <li>• Potential reduction in staffing requirement due to economies of scale and transformation</li> </ul>
Strategic Partnership	<ul style="list-style-type: none"> <li>• Staff would be transferred to a private sector partner, employees would transfer on their existing terms and conditions under the TUPE</li> <li>• Opportunity for investment in upskilling, employee development, asset and systems update</li> <li>• Ability to share knowledge and best practise</li> <li>• Any potential partner may decide to deliver services from another location potentially meaning staff may be given the option to relocate</li> <li>• Additional development opportunities may be available due to working for a large service provider</li> <li>• Staff should gain access to a wider pool of expertise and external insight in their specific field due to working for a company that specialises in there chosen profession as it's core business</li> <li>• Potential reduction in staffing requirement due to economies of scale and transformation</li> </ul>

Delivery Option	Impact on Staff
Incremental Partnership	<ul style="list-style-type: none"><li>• Staff would be transferred to a private sector partner, employees would transfer on their existing terms and conditions under the TUPE</li><li>• Opportunity for investment in upskilling, employee development, asset and systems update</li><li>• Ability to share knowledge and best practise</li><li>• Any potential partner may decide to deliver services from another location potentially meaning staff may be given the option to relocate</li><li>• Additional development opportunities may be available due to working for a large service provider</li><li>• Staff should gain access to a wider pool of expertise and external insight in their specific field, due to working for a company that specialises in there chosen profession as it's core business</li><li>• Potential reduction in staffing requirement due to economies of scale and transformation</li></ul>



Delivery Option	Impact on Staff
Private Sector Joint Venture	<ul style="list-style-type: none"> <li>• Staff may be transferred to a private sector partner under TUPE, or seconded to the new organisation. Their contractual terms and conditions would be protected</li> <li>• Potential for investment opportunity for upskilling, employee development, asset and systems update</li> <li>• Any potential partner may decide to deliver services from another location potentially meaning staff may be given the option to relocate</li> <li>• Additional development opportunities may be available due to working for a large service provider</li> <li>• On-going disruption for staff due to long-term ambiguity and phased transfers</li> <li>• Long-term risk to staff morale and service delivery</li> <li>• Staff confidence dip due to finite venture</li> <li>• Potential for conflicting cultures and operational styles of the joint venture partners</li> <li>• Potential for conflicting senior management and management teams</li> <li>• Potential reduction in staffing requirement through the transformation process</li> </ul>

Table 19: Assessment of impact on staff of each potential delivery option

## Appendix F. Individual Service Appraisals

### F.1. Customer Service Organisation

#### F.1.1 Aims and Objectives

The overarching objective of the Customer Services Organisation (CSO) project is to put the customer at the heart of the council by improving customer access and making effective use of customer insight across the organisation to inform service design and decision-making. The effective use of customer insight must be the key driver of change across the organisation and a significant change in organisational culture is required in order to deliver this. Any option for the future delivery of the CSO must be able to drive this culture change.

This will be manifested through:

- improved customer experience of accessing the council
- improved customer experience of services as a whole
- financial savings in the “back/mid-office” through improvements and deepening of “front-office” customer service i.e. efficient customer services at the first point of contact will remove work from the more expensive back-office

Improved customer access provision will be based on the following design principles:

- holistic joined-up customer access across all council services
- potential to offer holistic, joined-up customer access all public services
- provision of joined-up customer access across all channels (phone, face-to-face, email, post & web)
- actively pursue and exploit opportunities for customer self-service
- multi-service and multi-skilled staff able to deal with end-to-end customer contact
- higher resolution offered at first point of contact, thereby minimizing hand-offs and preventing avoidable contact
- coherent brand, identity and ethos across all services and channels that is meaningful to customers
- resilient to service impairment from fluctuating demand
- efficient for the council to operate, and convenient for the customer.

The use of customer insight is based around the following principles:

- capture and use of insight to drive the re-design of services around the needs of the customers

- providing leadership methods, tools and support across the council to create a pro-active culture of capturing and analysing customer insight in a consistent manner in order to inform service improvements

### F.1.2 Scope of Customer Services Organisation

The customer services scope identified here represents the current staff dealing with customer contact (in the front and back offices across the council) including staff dealing with face-to-face customer access. Overall an estimated 220 FTEs deal with customer services across the council. This number can be broken down as follows:

- Customer Services Team includes five functions and involves 35 FTEs (including 14 FTEs that are part of the team at the two face-to-face centres and reception at NLBP).
- The Business Support Team in the Planning, Housing and Regeneration directorate delivers customer services across 6 functions and involves 6 FTEs.
- The customer service for the remaining 35 functions is devolved within services. These functions operate across all contact channels (telephone, face-to-face, email, post or web) and involve approximately 179 FTEs.

In more detail the functions in scope are:

Directorate	Function	Description – Main enquiries
Corporate Services – CSO	Planning	Planning enforcement, noise nuisance, and miscellaneous environmental health
	Street scene	Requests for recycling box and green waste bin. Reporting fly-tipping and pavements damage.
	Switchboard	Redirection, mainly to street-based services, council tax, benefits, social services and environmental health
	Parking	Renewing permit, appealing penalty charge notices and related payments.
	Customer services reception	Two face-to-face access points, reception at NLBP, planning fees enquiry, request to see duty officer, eligibility for planning permission, and request for files

Directorate	Function	Description – Main enquiries
Adult Social Services	Assisted travel	Blue-badge application and related enquiries
	Social Care Direct	Care package advice and requests for care services
Planning Housing and Regeneration	Building Control and street numbering	Applications, information, request to speak to a surveyor and chasing progress
	Housing Advice	Homeless enquiries and re-housing queries
	Enforcement	Alleged breaches of planning control
	Private trees	Notification of works to trees in conservation areas and status checks on ongoing work
	Planning registration/vetting	Planning fees enquiries, application requests and support for filling an application
	Land charges	Address checks, search requests and fee enquiries
	Business Support provides first customer contact for:	<ul style="list-style-type: none"> <li>- Food safety</li> <li>- Health and safety</li> <li>- Private sector housing</li> <li>- Care and Repair</li> <li>- Scientific services</li> <li>- Public health and nuisance</li> <li>- Pest control</li> </ul>

Directorate	Function	Description – Main enquiries
Corporate Governance	Electoral Registration	Eligibility to vote, registration and related enquiries
Children's Service	Children's Social Care Duty	Contact relating to concerns about children
	Connexions Service	Careers advice, housing support enquiries, substance misuse enquiries and assessment appointments
	Educational Welfare	Complaints from parents, licensing issues, bullying issues and penalty notices
	Adoption	Enquiries related to adoption
	Fostering	Enquiries related to fostering
	FYI	Enquiries related to childminders, pre-schools, tax credit, family support and holiday schemes
	Schools Admissions	School admission application and related enquiries
Corporate Services	Registration – births marriages, deaths and nationality	Appointments for registration, marriage notices and citizenship-related enquiries
	Benefit	Housing benefits information, application, change of circumstance and follow up enquiries
	Council Tax	Council tax information, application, change of circumstance and follow up enquiries
	National non-domestic rates	NNDR business rates information, application, change of circumstance and follow up enquiries
	Libraries	Enquiries about library services and other council services such as council tax and benefits

Directorate	Function	Description – Main enquiries
Environment and Operations	Out of hours service	Social services, highways and homeless enquiries
	Trading Standards and Licensing	Premises licensing application, general information and follow-up enquiries
	Crossovers	Crossover (dropped kerb) application, general information and follow-up enquiries
	Design & Development	Requests for disabled bays, yellow lines, and general enquiries
	Development Control	Pre-advice and applications related to highways, parking standards and travel plans
	Drug and Alcohol Team	Requests for related provision in Barnet and usage details
	Greenspaces	General enquiries, casual bookings and allotments
	Highways management	Skip license and gritting enquiries. General and school travel plan traffic calming enquiries
	Passenger Transport	New transport requests, enquiries relating to ongoing arrangements, enquiries from schools
	Priority Intervention Team	Enquiries and information about graffiti, fly tipping, abandoned vehicles and anti-social behaviour
	Road Safety	Requests and information for cycle training, school crossing, safety and parking enforcement
	Safer Communities Team	Enquiries relating to anti-social behaviour
	School Travel Plan	Requests for school travel plan funding, parking enforcement, training and sustainable transport
	Waste & Sustainability	Enquiries for blue/black boxes, green bins, flat recycling service, missed boxes and sustainability

Table 20: CSO Functions in scope

### F.1.3 Performance

- Customer services are provided across 46 different functions, with only five of these functions integrated in the corporate CSO and six integrated in PHR. The remaining 35 functions have their own provision of customer services devolved within services.
- There are over 165<sup>9</sup> published phone numbers, over 70 published email addresses, two one-stop-shops face-to-face access points, reception at NLBP and a number of other face-to-face access points in libraries, children's centres and other corporate buildings.
- There are estimated to be over 220 staff, roughly equally split between those deemed to be "front-office" staff<sup>10</sup> and "back-office" staff,<sup>11</sup> involved in customer services across the organisation.
- A total of 2.6 million external calls are received annually by the Council. A total of 3.55 million customer contact episodes take place annually across all access channels.
- 54% (1.4 million) of all external calls are received on the 11 published contact centre numbers, 34% (900,000) calls are received on service-based phone numbers linked to hunt-groups, and 12% (300,000) calls are received on direct extension numbers.
- 73% of all contact is made through the telephony channel, with only 4% of contact through the web channel.
- There is an average call abandoned rate of 16% and a line busy rate of 10% across all services, implying that 26% of customer calls (one in four) remain unanswered. The abandoned rate compares to an average of 3-5% in the best performing local authorities.
- Benchmarking of specific functions<sup>12</sup> (i.e. Environment and Operations<sup>13</sup>, and Council Tax) with other local authorities, found that for environmental services Barnet Council's abandoned call rate of 22% and line busy rate of 5% compares unfavourably to an abandoned rate of 15% for Kingston-upon-Thames and 18% for North Somerset that have a 0% line busy rate.

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<sup>9</sup> A sum of telephone numbers published on the website, direct extensions that receive external customer calls, and pilot numbers for service hunt-groups.

<sup>10</sup> Staff who are involved in initial contact with the customer, across all access channels - telephone, face-to-face, emails, web and post. Activities include contact, wrap-up, and system updates relating to the contact.

<sup>11</sup> Staff who are involved in ongoing case-based contact with the customer, across all access channels - telephone, face-to-face, emails, web and post. Activities include contact, wrap-up, and system updates relating to the contact.

<sup>12</sup> These service functions contribute to 30% of total telephony contact in Barnet. Comparable and reliable performance data from other local authorities, available for these services, has been used for benchmarking assessment of telephony performance at this stage.

<sup>13</sup> Includes functions such as streetscene, waste management, parking, building control, greenspaces, highways, road safety, design and development control, sustainability.



For Council Tax Barnet Council's call abandoned rate of 19% and line busy rate of 4% compares unfavourably to Kingston-upon-Thames' abandoned rate of 2% and line busy rate of 0%.

- An estimated 29% of the 2.6 million telephone calls can be classified as 'avoidable'.<sup>14</sup> This is based on the analysis of 'reasons for customer telephone calls' across all functions.

#### **F.1.4 Cost of Service**

The delivery model of customer services within Barnet Council is disparate and devolved; therefore it is difficult to accurately identify the full cost of activity. Data analysis for this options appraisal provides an estimated headcount of staff involved in delivering customer services at 220; this is around a 50:50 split for front-office and back-office staff.

Further analysis has enabled the calculation of an estimated cost for this front-office customer service activity (92 FTE) of £3.3m. This has been compiled using data from a number of sources and combining; actual budgetary data for the two centralised cost centre codes; apportionment of employee related costs for other cost centre codes which provide customer services activity; information contained within delegated powers report 1073; and other relevant estimated overheads.

Another method for estimating costs is to use SOCITM average figures for the cost per transaction. This method gives a total cost for customer service activity of £13.6m.<sup>15</sup>

What is clear is that there is a large and unknown (accurately) spend on customer services across the organisation. Accurate figures will need to be produced in order to compile any business case.

#### **F.1.5 Findings**

- The current customer services provision is fragmented and inconsistent, as illustrated by the vast number of published access points.
- Customers receive inconsistent service and performance across these functions, even though they contact a single organisation.
- Customers have to navigate through a complex access provision in order to get through to the function they need and often have to be re-directed when they contact the wrong team.

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<sup>14</sup> Avoidable contact is based on the definition of NI14 provided by Cabinet office and published on Audit-commission website (<http://www.audit-commission.gov.uk/localgov/audit/nis/Pages/NI014ReducingavoidablecontactMinimisingtheportionofcustomercontactthatistoflowornovaluetothecustomer.aspx>). This analysis and 29% figure does not include the potential contact that can be avoided through channel shift to the web.

<sup>15</sup> Telephone 2,574,070 @ £4.00; Email 282,985 @ £1.90; Post 353,462 @ £5.20; Web 147,048 @ £0.17; Face-to-face 120,798 @ £7.81.

- Any redesign will need to consider end-to-end customer processes and related hand-offs as current provision merges front and back office activity.
- There is a bias towards expensive access channels (face-to-face and telephone), and a very low usage of the most cost-effective web channel.
- The performance of customer services provision is relatively poor based on the standard performance measures as well as benchmarking and there is considerable scope to improve.
- Avoidable contact is high and this has a negative impact on customer service performance and cost in a number of ways.
- The additional contact volume affects the performance (such as abandoned rate) of the service:
  - it is a symptom of low first-point resolution and poor accessibility of information through the web with the additional contact volume making it even more difficult for the staff to resolve enquiries at first point
  - it results in an inferior level of customer service
- Insight on customers' needs, behaviours and experiences is neither routinely collected nor widely used to improve services across the council. Customers' experience of service and cost of deliver can be improved via better and wider use of customer insight.
- The organisation does not have a track record of driving major, customer focussed transformation – any change historically has involved resource intensive, one-off projects.
- The overall cost of customer services can be reduced, and performance levels can be improved through:
  - channel-shift (migration to low cost channels such as web) higher rate of first point resolution
  - reduction of avoidable contact, through improved provision of general information across multiple media, for example better and more easily navigable web information, use of automated telephony
  - integration of functions and provision through a multi-service, multi-skilled customer services team

#### **F.1.6 What does this mean?**

- The transformation to deliver a fully functioning CSO is the fundamental deliverable within the One Barnet Programme – the pace of transformation is therefore crucial.
- The customer service target operating model should be defined, containing detailed design principles and key building blocks to inform the IT roadmap, channel strategy and any transformation activity.

- Any transformation must look to deliver improved performance through analysis and re-engineering of end-to-end processes.
- There is considerable potential for channel-shift, but this cannot be delivered without significant investment in technology.

### F.1.7 Expected outcomes

- Consolidation of access points would provide customers with a simple and streamlined way to engage with the council.
- The re-design of services, driven by customer insight, will offer the right services through the right channels.
- Better systems and technology, which are integrated and shared, will improve the speed and quality of dealing with customer requests (through shared customer data). This will also make the collection and provision of customer insight more effective.
- Possibility of multi-service delivery will provide more convenience for the customer by eliminating multiple episodes of contact.
- Access to better customer insight information will support informed, customer-centric decision making.
- Better customer insight and the implementation of a channel migration strategy will reduce the cost of delivery of customer services.
- Cost-effective customer access provision.
- Speed and flexibility to adapt to service changes and challenges, on the basis of improved customer insight.
- Larger pool of staff will provide greater flexibility to cope with peaks in demand in individual functions.

### F.1.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the Customer Service Organisation against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	1. The medium to long-term delivery cost of the service 2. The delivery cost of the service in the short-term	15
	Investment	1. The ability of the option to provide investment into the service 2. The cost to Barnet Council of investment in the service	15

Objective	Theme	Considerations	Weighting / %
	Income generation	1. The ability to generate increased income	0
	Pace	1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met 2. How long will it take to implement 3. How long will it take to deliver transformational change	20
A One Barnet approach	Flexibility	1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc 2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand 3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale	10
A new relationship with citizens	Performance	1. The potential to increase performance against current benchmarks of performance 2. The potential to improve the citizen experience and satisfaction levels	20
	Service transformation	1. The ability to transform the service to put the customer at the heart of service delivery 2. The ability to bring and maintain creativity and innovation to service delivery	20

Table 21: CSO Evaluation Theme weightings

Application of these results to the Evaluation Matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service		Strategic Partnership		Incremental Partnership		Private Sector Joint Venture	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
Price	0.15	3	0.45	2	0.3	2	0.3	5	0.75	4	0.6	4	0.6
Investment	0.15	1	0.15	1	0.15	2	0.3	4	0.6	3	0.45	4	0.6
Income generation	0	1	0	2	0	2	0	3	0	3	0	3	0
Pace	0.2	2	0.4	4	0.8	1	0.2	2	0.4	2	0.4	2	0.4
Flexibility	0.1	4	0.4	3	0.3	3	0.3	3	0.3	3	0.3	3	0.3
Performance	0.2	3	0.6	3	0.6	3	0.6	4	0.8	4	0.8	4	0.8
Service transformation	0.2	2	0.4	4	0.8	2	0.4	4	0.8	4	0.8	4	0.8
Total Score		2.4		2.95		2.1		3.65		3.35		3.5	

Table 22: CSO Evaluation Scoring

## **F.2. Estates**

### **F.2.1 Aims and Objectives**

Through the NSO Project the Estates service aims to become one that:

- delivers a sustainable estates strategy
- is cost-effective, value for money and professional
- flexibly supports and enables best use of the council's estate now and in the future, sharing with partners where applicable to maximise benefits.
- maximises the return from the commercial portfolio
- is responsive to its customers requirements
- has all the required data available and makes best use of this data to deliver the service and achieve value for money.
- establishes consistent best practice property and assets management standards across the council

### **F.2.2 Scope of the Estates Service**

The Estates Service was formed in May 2010 by amalgamating a number of teams which had operated independently of each other within different services in the council. The combined Service is still in its infancy and considerable work is still needed to establish the joined up service. An Estates Strategy will be presented to Cabinet Resource Committee in March 2011 establishing a framework for corporate asset management.

The impact of the One Barnet Programme on the Service will be great as asset and property requirements going forward will change. The existing estate includes contracts and leases for accommodation which need to be revisited to provide flexibility to be able to adapt to this change.

### **F.2.3 Performance**

There is very little robust data about the cost and performance of the Estates Service as historically there has been little measurement. As a result, although a return was made for the CIPFA Value for Money Benchmarking exercise for Estates it was not robust, as accurate data was not available and therefore the results cannot be used to indicate the relative cost or performance of the service.

The summary below is the subjective view of the service from the perspective of the service's senior management. This view is backed up to some extent by the CIPFA exercise, in as much as it was not possible to compile an accurate and robust return.

The management view of the current state of the service is outlined below:

- There is a lack of robust data analysis and information to help inform the asset management planning process across the whole estate. Historically the service has been reactive in terms of planning and has tended to

concentrate on the schools estate. There are asset management plans in place for some areas of the estate, but there is not a comprehensive plan covering the whole estate. As a result of this there is no reliable, complete, long-term capital investment programme in the estate, an understood whole life cost base, or complete assessment of suitability – this is however an improving situation.

- It has been recognised that there are insufficient measurable targets and performance indicators for the service, a situation which is under review.
- The cost to provide the Estates service is comparatively low compared to other public sector organisations, with low staffing levels.
- Evidence suggests that historically spend on the fabric of the estate to keep the buildings in good state of repair and compliance has been insufficient. This is compounded by the absence of data to inform an understanding of the condition across the whole estate meaning it is not possible to proactively manage repairs and maintenance.
- A reorganisation of the service is planned to ensure that the culture, structures, reporting lines and skill-sets of staff and managers are aligned to deliver the service in the most effective way possible.
- There is a lack of understanding about the service's customers - the level of service required, what their expectations are and what is required to improve.
- Across the service different functions management information and data is stored in different locations and within different systems and formats. The lack of a modern, properly functioning asset data system accessible to all staff within the service and wider council obstructs the service in managing the assets effectively.
- This assessment is backed up by the CIPFA benchmarking data which evidenced that only six out of ten management practice indicators are in place against an average of nine and a median of ten.<sup>16</sup>

#### F.2.4 Costs

The costs associated with the estates service are outlined in the table below.

		2007/08	2008/09	2009/10	2010/11
		Actuals/£	Actuals/£	Actuals/£	Budget/£
Estates	Gross exp	13,503,387	14,051,191	15,118,833	12,941,410
	Income	5,876,502	6,214,923	7,014,214	5,100,060

Table 23: Costs of Estates service

<sup>16</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Estates - 2009/10 – EMP7

- The fluctuation in the expenditure figures is partly due to changes in recording practice, but also due to reorganisation of staff and responsibilities, making it very difficult to determine accurate historical figures.
- Income levels are showing wide variances over the period. The positive variance for 2009/10 has largely been driven by higher than anticipated rental returns received on the commercial portfolio. Voids have reduced significantly too and now remain an important KPI as part of Barnet Council's monitoring process.

### **F.2.5 Findings**

- The Estates service was until recently managed across disparate services, with major inconsistencies and flaws identified regarding how historically the council managed these functions. It is only operating effectively in part and there is significant scope for improvement.
- The requirements on the Estates service regarding the level of maintenance and investment across the council's built estate is unclear and needs to be defined to enable the service to effectively manage the council's estate.
- Fit-for-purpose information systems are not in place and therefore it is not possible to determine complete quantitative information about the cost, performance or quality of the service.
- Some significant issues exist within the service that must be tackled to deliver sustainable transformation, such as the lack of use of customer insight to inform service design and delivery.

### **F.2.6 What does this mean?**

- Investment is needed in information systems for the service.
- Investment is needed to enable the staff-group to work and drive real value within a modern Estates service, bridging specific skill gaps.
- The service needs to continue the change to become a proactive estate management service based on priorities for spend and customer requirements.
- The Estates service consolidation needs to continue to embed a unified, customer focused service culture.

### **F.2.7 Expected outcomes**

A fully functioning, established Estates service will:

- enable the council to make best use of its estate
- provide a full understanding of the required investment and cost of management of the council's estate to inform proper decision-making
- ensure that the council's estate is sustainable and fits the corporate requirement



- cost-effectively manage any investment in the council's estate and ensure that it delivers value for money against the council's objectives

### F.2.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the Estates service against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	<ol style="list-style-type: none"> <li>1. The medium to long-term delivery cost of the service</li> <li>2. The delivery cost of the service in the short-term</li> </ol>	20
	Investment	<ol style="list-style-type: none"> <li>1. The ability of the option to provide investment into the service</li> <li>2. The cost to LBB of investment in the service</li> </ol>	15
	Income generation	<ol style="list-style-type: none"> <li>1. The ability to generate increased income</li> </ol>	5
	Pace	<ol style="list-style-type: none"> <li>1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>2. How long will it take to implement</li> <li>3. How long will it take to deliver transformational change</li> </ol>	10
A One Barnet approach	Flexibility	<ol style="list-style-type: none"> <li>1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ol>	15
A new relationship with citizens	Performance	<ol style="list-style-type: none"> <li>1. The potential to increase performance against current benchmarks of performance</li> <li>2. The potential to improve the citizen experience and satisfaction levels</li> </ol>	15
	Service transformation	<ol style="list-style-type: none"> <li>1. The ability to transform the service to put the customer at the heart of service delivery</li> <li>2. The ability to bring and maintain creativity and innovation to service delivery</li> </ol>	20

Table 24: Estates Evaluation Theme Weightings

Application of these results to the Evaluation matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service		Strategic Partnership		Incremental Partnership		Private Sector Joint Venture	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
		Price	0.2	3	0.6	2	0.4	2	0.4	5	1	4	0.8
Investment	0.15	1	0.15	1	0.15	2	0.3	4	0.6	3	0.45	4	0.6
Income generation	0.05	1	0.05	2	0.1	2	0.1	3	0.15	3	0.15	3	0.15
Pace	0.1	2	0.2	4	0.4	1	0.1	2	0.2	2	0.2	2	0.2
Flexibility	0.15	4	0.6	3	0.45	3	0.45	3	0.45	3	0.45	3	0.45
Performance	0.15	3	0.45	3	0.45	3	0.45	4	0.6	4	0.6	4	0.6
Service transformation	0.2	2	0.4	4	0.8	2	0.4	4	0.8	4	0.8	4	0.8
Total Score		2.45		2.75		2.2		3.8		3.45		3.6	

Table 25: Estates Evaluation Scoring

### **F.3. Finance**

#### **F.3.1 Aims and Objectives**

Through the NSO Project the Finance service aims to become a service that is:

- cost-effective, professional and flexible that can adapt to the changing shape and modus operandi of the council as it evolves into a commissioning organisation
- modern and IT enabled with automated processes that enables customers to self-serve (as far as possible)

#### **F.3.2 Scope of the Finance Service**

The Finance service as it now exists was formed during 2009/10 when roles devolved within services were consolidated into the centralised service. In parallel with this the service went through a restructure. There are still small pockets of finance function being delivered devolved within services, but not to a great extent.

#### **F.3.3 Performance**

- The cost of the Finance service as a percentage of the organisational running cost is around about the median, but below the average of the CIPFA group. The proportional cost of the Finance service is higher than the other participating unitary local authorities, however it should be noted that these comparators are predominantly northern metropolitan local authorities, who would be expected to be comparatively lower cost.<sup>17</sup>
- Transactional function costs are low, business decision support costs are average, but reporting and management function costs are below the average and median.<sup>18</sup>
- Centralised transactional processes (accounts payable, invoicing) are high performing and low cost, but credit notes raised is high.<sup>19</sup> This is as a result of the devolved nature of this activity.
- The percentage of payments made by electronic means is very high, particularly compared to other unitary local authorities.<sup>20</sup>

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<sup>17</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FP1

<sup>18</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FP1a – c N.B. amended data has been submitted, which is not reflected in this draft report

<sup>19</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FP3 - 6

<sup>20</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FS7

- Financial management across the organisation is good, evidenced by a very small variance (smallest of any unitaries in the benchmark group) between month 6 and actual outturn.<sup>21</sup>
- The Finance service is in the upper quartile with more than half of the staff being qualified.<sup>22</sup>
- The performance of this service is also reflected in the number of working days to submission of the annual accounts to the auditors being both below the average and the median.<sup>23</sup>
- Eight out of ten expected management practice indicators are in place.<sup>24</sup>

### F.3.4 Cost of Service

The costs of the centralised Finance service are outlined below:

		2007/08 Actuals/£	2008/09 Actuals/£	2009/10 Actuals/£	2010/11 Budget/£
Finance	Gross exp	4,794,721	4,795,628	5,579,433	5,152,117
	Income	1,349,775	1,293,362	1,384,759	1,435,102

Table 26: Costs of Finance service

- Increases between 2008/09 and 2009/10 are due to required consultant and agency spend through the service restructure.
- These figures do not include any currently devolved finance functions, but there is not a significant amount of activity still devolved, therefore this will not make a material difference to the conclusions drawn.
- There are currently 120.86 FTE in the centralised Finance service.

### F.3.5 Findings

- The Finance service is medium cost.
- The Finance service performs relatively well.
- The service's IT system, SAP is not delivering the value it could – it supports transactional processes very well, as is evidenced by the data,

<sup>21</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FP3

<sup>22</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FP3

<sup>23</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FP3

<sup>24</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Finance 2009/10 – FP7 N.B. amended data has been submitted, which is not reflected in this draft report

but does not support the end-to-end financial management process well and therefore a lot of additional data processing (in spreadsheets) is required leading to increased costs in these areas.

### F.3.6 What does this mean?

- Investment is needed in IT to enable the system to support the end-to-end financial management process.
- The organisation needs to change its approach to financial management and managers in services need to become able to manage their own budgets without day-to-day detailed support from Finance.

### F.3.7 Expected outcomes

- Fit-for-purpose IT systems that support the financial management process end-to-end will enable a reduction in costs, particularly around financial reporting and management.
- Better IT systems will enable better practice and better information will be available and therefore better support will be provided to the organisation in managing its finances.

### F.3.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the Finance service against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	<ol style="list-style-type: none"> <li>1. The medium to long-term delivery cost of the service</li> <li>2. The delivery cost of the service in the short-term</li> </ol>	25
	Investment	<ol style="list-style-type: none"> <li>1. The ability of the option to provide investment into the service</li> <li>2. The cost to LBB of investment in the service</li> </ol>	10
	Income generation	<ol style="list-style-type: none"> <li>1. The ability to generate increased income</li> </ol>	10
	Pace	<ol style="list-style-type: none"> <li>1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>2. How long will it take to implement</li> <li>3. How long will it take to deliver transformational change</li> </ol>	5

Objective	Theme	Considerations	Weighting / %
A One Barnet approach	Flexibility	<ol style="list-style-type: none"> <li>1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ol>	15
A new relationship with citizens	Performance	<ol style="list-style-type: none"> <li>1. The potential to increase performance against current benchmarks of performance</li> <li>2. The potential to improve the citizen experience and satisfaction levels</li> </ol>	20
	Service transformation	<ol style="list-style-type: none"> <li>1. The ability to transform the service to put the customer at the heart of service delivery</li> <li>2. The ability to bring and maintain creativity and innovation to service delivery</li> </ol>	15

Table 27: Finance Evaluation Theme Weightings

Application of these results to the Evaluation Matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service		Strategic Partnership		Incremental Partnership		Private Sector Joint Venture	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
		Price	0.25	3	0.75	2	0.5	2	0.5	5	1.25	4	1
Investment	0.1	1	0.1	1	0.1	2	0.2	4	0.4	3	0.3	4	0.4
Income generation	0.1	1	0.1	2	0.2	2	0.2	3	0.3	3	0.3	3	0.3
Pace	0.05	2	0.1	4	0.2	1	0.05	2	0.1	2	0.1	2	0.1
Flexibility	0.15	4	0.6	3	0.45	3	0.45	3	0.45	3	0.45	3	0.45
Performance	0.2	3	0.6	3	0.6	3	0.6	4	0.8	4	0.8	4	0.8
Service transformation	0.15	2	0.3	4	0.6	2	0.3	4	0.6	4	0.6	4	0.6
Total Score		2.55		2.65		2.3		3.9		3.55		3.65	

Table 28: Finance Evaluation Scoring

## **F.4. Human Resources**

### **F.4.1 Aims and Objectives**

Through the NSO project the Human Resources service aims to become a service that:

- is cost effective, professional and flexible that can adapt to the changing shape and modus operandi of the council as it evolves into a commissioning organisation
- leads the workforce strategy to ensure the workforce has the skills and competencies required for the future role of the council
- is IT enabled with automated processes (where possible) that enables and expects managers and employees to self-serve (where possible)
- focuses on organisational priorities, mitigating risks and manages by exception

### **F.4.2 Scope of the HR Service**

The HR service was restructured in early 2010 to a radically different operating model based on a service centre approach aiming to deal with 75% of enquiries at the first-level and directing the more complex and specialist enquiries to specialist teams. This new structure followed a number of years operating in a devolved model with HR professionals and administrative teams embedded within services, with a centralised strategic core team. This new operating model is still in its infancy and a number of issues have been discovered as the embedding process takes place:

- process re-engineering is ongoing to fully utilise system capabilities and make processes more efficient and support self-service
- policies and procedures are being reviewed to ensure they support the organisations' priorities and are brought into line with at least the ACAS minimum
- improved strategic focus and contribution to corporate priorities is required
- the under investment over a number of years in a professional HR department with the appropriate structures, capabilities and processes, means that remedial work now required is extremely complex and time consuming

### **F.4.3 Performance**

- The cost of HR is comparatively low as a percentage of organisational running cost.<sup>25</sup>

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<sup>25</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Human Resources 2009/10 – HRP1



- Ratio of HR staff per employee is in the upper quartile.<sup>26</sup>
- There is no corporate learning and development capability, however there are learning and development teams in some directorates that are responsible for building technical capability.<sup>27</sup>
- Investment in learning and development is very low (lower quartile).<sup>28</sup>
- Recruitment costs are high compared to other unitaries and it is not possible to answer questions about process time for recruitment activities.<sup>29</sup>
- Only four out of ten management practice indicators are in place compared to an average score of seven.<sup>30</sup>
- Management reporting is very difficult due to systems not being implemented properly and lack of suitably trained staff. This results in significant stress for HR staff on a monthly basis, as it is very difficult and time consuming for them to produce the required set of management reports, complicates management decision-making and leads to overly long and complicated processing requirements.

#### F.4.4 Cost of Service

The costs of the HR service are outlined below:

		2007/08	2008/09	2009/10	2010/11
		Actuals/£	Actuals/£	Actuals/£	Budget/£
Human Resources	Gross exp	3,494,323	3,367,134	4,423,030	4,237,310
	Income	1,922,607	2,039,298	2,245,982	2,371,180

Table 29: Costs of HR service

- The increase in expenditure in 2009-10 is associated with a significant investment to restructure HR.

<sup>26</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Human Resources 2009/10 – HRP2 N.B. amended data has been submitted, which is not reflected in this draft report

<sup>27</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Human Resources 2009/10 – HRP2

<sup>28</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Human Resources 2009/10 – HRS1

<sup>29</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Human Resources 2009/10 – HRS4 & 5

<sup>30</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Human Resources 2009/10 – HRP7

- The increase in income is due to an increasing number of schools buying into HR services. Currently HR services are provided to 106 of the 119 schools in Barnet.
- Current FTE is 82.12.

#### **F.4.5 Findings**

- Organisationally there is a modern vision for the HR service, but the organisational culture, systems infrastructure and policy need to enable the service to work in this way towards the vision.
- The lack of learning and development capability means that in general managers have lost ground in their development thus creating the knock-on effect of over reliance on HR.
- Recruitment does not operate as efficiently as it could – the eRecruitment project, currently underway within the One Barnet programme will address this issue.
- The lack of investment in learning and development is very evident within the staff group in HR where there is a skills deficit and a requirement to challenge and change the organisational culture and working practices as over recent years this has not been developed or prioritised.
- Poor skills within the HR staff group have created the potential for organisational risks being created. This is being addressed, but it is a slow process to build knowledge and develop operational experience for example to enable queries to be dealt with first time by the Customer Contact desk and not handed off to other staff.

#### **F.4.6 What does this mean?**

- Investment in systems is required to automate and streamline processes, reduce duplication, provide information to managers and HR staff, enable organisational decision-making.
- Organisational culture and expectations of the HR service needs to change.
- Investment in the HR staff group is needed to enable them to have the skills needed to work in a modern HR service.
- HR policies need to be updated to be fit-for-purpose.

#### **F.4.7 Expected outcomes**

- Reduction in cost of function due to more efficient processes and systems therefore requiring less staff to operate the HR service.
- A better service will be delivered to customers with fit-for-purpose systems and policies and more able and higher skilled staff.
- Fit-for-purpose HR policies and processes will better support the running of a modern organisation.

- Managers' time will be used more effectively due to spending less time chasing and questioning and more time managing, as systems and their skills will support this.
- Better organisational HR data will support better decision-making.

#### F.4.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the HR service against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	<ol style="list-style-type: none"> <li>1. The medium to long-term delivery cost of the service</li> <li>2. The delivery cost of the service in the short-term</li> </ol>	20
	Investment	<ol style="list-style-type: none"> <li>1. The ability of the option to provide investment into the service</li> <li>2. The cost to LBB of investment in the service</li> </ol>	15
	Income generation	<ol style="list-style-type: none"> <li>1. The ability to generate increased income (not borne of enhanced performance / transformational activity)</li> </ol>	10
	Pace	<ol style="list-style-type: none"> <li>1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>2. How long will it take to implement</li> <li>3. How long will it take to deliver transformational change</li> </ol>	15
A One Barnet approach	Flexibility	<ol style="list-style-type: none"> <li>1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ol>	10

Objective	Theme	Considerations	Weighting / %
A new relationship with citizens	Performance	1. The potential to increase performance against current benchmarks of performance 2. The potential to improve the citizen experience and satisfaction levels	15
	Service transformation	1. The ability to transform the service to put the customer at the heart of service delivery 2. The ability to bring and maintain creativity and innovation to service delivery	15

Table 30: HR Evaluation Theme Weightings

Application of these results to the Evaluation Matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service		Strategic Partnership		Incremental Partnership		Private Sector Joint Venture	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
		Price	0.2	3	0.6	2	0.4	2	0.4	5	1	4	0.8
Investment	0.15	1	0.15	1	0.15	2	0.3	4	0.6	3	0.45	4	0.6
Income generation	0.1	1	0.1	2	0.2	2	0.2	3	0.3	3	0.3	3	0.3
Pace	0.15	2	0.3	4	0.6	1	0.15	2	0.3	2	0.3	2	0.3
Flexibility	0.1	4	0.4	3	0.3	3	0.3	3	0.3	3	0.3	3	0.3
Performance	0.15	3	0.45	3	0.45	3	0.45	4	0.6	4	0.6	4	0.6
Service transformation	0.15	2	0.3	4	0.6	2	0.3	4	0.6	4	0.6	4	0.6
Total Score		2.3		2.7		2.1		3.7		3.35		3.5	

Table 31: HR Evaluation Scoring

## F.5. Information Systems

### F.5.1 Aims and Objectives

Through the NSO project the Information Systems service aims to become a service that:

- supports the organisation in developing and delivering its strategic aims and objectives by making best use of data management and technology solutions
- supports and drives its customers to make best use of innovation available through technology to drive service transformation
- supports, enables and is responsive to customers' IT requirements
- ensures the organisation has a resilient and secure operating environment
- supports and enables multi-agency working by the efficient and safe sharing of information across public sector partners
- delivers transactional activities with the optimum cost profile, with a reduction of overall operating costs

### F.5.2 Scope of Information Systems

The Information Systems service as scoped within the NSO currently delivers via a mixed model. Some of the functions are delivered within the centralised service, some devolved in services and some outsourced to third party providers. The outsourced functions are infrastructure support and maintenance, SAP managed service and 2<sup>nd</sup> and 3<sup>rd</sup> line support for a number of systems. The funding of the service and the way it has evolved historically means that it is set-up as a reactive service.

### F.5.3 Performance

- The IS service is relatively low cost, but not exceptionally low, particularly when compared to other unitary local authorities.<sup>31</sup>
- The investment in infrastructure and systems is very low, historically there has been investment around large capital projects rather than consistent investment in upgrades and maintenance.<sup>32</sup>
- The incident resolution rate is very low compared to all other comparators, and in fact is the lowest in London by a significant margin.<sup>33</sup>
- The number of incidents per user is very high.<sup>34</sup>

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<sup>31</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – ICT 2009/10 – ITP1

<sup>32</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – ICT 2009/10 – ITP1

<sup>33</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – ICT 2009/10 – ITP3a, SOCITM – Benchmarking the IT Service in London – 2010 – Final results – KPI2

- There is good availability of IT across the network and core systems, although in London the performance is just below the (very high) median.<sup>35</sup>
- The availability of technology to use mobile-working is high, but the use of it is not necessarily embedded within working practice.<sup>36</sup>
- Six out of ten management practice indicators are in place, which is on the lower quartile, although there is not a great range of scores. The missing indicators are themed around engagement and involvement of customers in the management and improvement of the service.<sup>37</sup>

#### F.5.4 Cost of Service

The costs of the Information Systems service (centralised IS function, School's ICT Support Service – other devolved functions are not included in these figures) are outlined below:

		2007/08 Actuals/£	2008/09 Actuals/£	2009/10 Actuals/£	2010/11 Budget/£
Information Systems	Gross exp	9,583,470	9,679,591	9,437,102	9,438,440
	Income	1,875,528	1,940,101	2,268,567	2,309,330

Table 32: Costs of Information Systems

- These figures do not include capital spend.
- The large increase in income from 2008/09 to 2009/10 is due to increased take-up of services by schools.
- There are 61.8 in the centralised IS Service and the School's ICT Support Service.

#### F.5.5 Findings

- The overall combined performance of the service in resolving issues is poor. This poor performance is particularly due to desktop issue resolution, as performance regarding priority one and two incident resolution is good. The poor performance on desktop issue resolution is explained by a number of factors including old-fashioned practice supporting over 70 locations via on-site support which is resource hungry and the impact of some major incidents during the reporting period. Management within the

<sup>34</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – ICT 2009/10 – ITP3b, SOCITM – Benchmarking the IT Service in London – 2010 – Final results – Q2.9

<sup>35</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – ICT 2009/10 – ITP4, SOCITM – Benchmarking the IT Service in London – 2010 – Final results – KPI15

<sup>36</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – ICT 2009/10 – ITS4

<sup>37</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – ICT 2009/10 – ITP7

service indicate that the resource is sufficient to support business as usual, but there is insufficient resource to maintain the level of service when significant incidents occur.

- The number of incidents is high. This is due to a number of factors - systems which although technically implemented properly are not working as they should due to data and setup issues; staff capability within services is low, as no IT training is available and there (generally) is no measurement, or real importance placed on IT capability at interview or induction across the organisation; there were surges of incidents during the reporting period due to a number of significant incidents.
- The availability of network and core systems is high, evidencing that the systems are well maintained, although there is a small amount of potential for improvement compared to other local authorities performance.
- The rate of resolution of priority 1 and 2 incidents evidences the importance placed on the resolution of these problems which has been developed from an understanding of customer requirements.
- There is a gap in the service with no capacity for proper client relationship and account management.
- Customer satisfaction with the service is not good as a result of the set-up of the service, as customers feel their issues (priority 3 calls) are not dealt with in a timely enough fashion.

#### **F.5.6 What does this mean?**

- A different model of provision of software and hardware is required to provide better stability and quality, which will deliver improved performance and cost, for example taking advantage of opportunities offered by cloud computing.
- IT systems need to be joined up to enable cross-system flow of data and information to provide real insight.
- Processes for support need to be re-engineered to be effective and efficient, particularly in supporting modern, mobile working practices.

#### **F.5.7 Expected outcomes**

- Reduced cost of delivering the service through improvements in a number of areas.
- Increased availability of properly working IT for customers due to better staff training and capability and improved performance of the service both in resolving incidents and system availability.
- A change in operating practice of the service would enable IT to better meet customers needs with more capacity to focus on customer engagement and account management.
- Fit-for-purpose insight driven systems will support a customer-centric organisation and transformational change – a key One Barnet programme priority.



- Investment in the service to deliver a required technical refresh.

### F.5.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the IS service against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	<ol style="list-style-type: none"> <li>1. The medium to long-term delivery cost of the service</li> <li>2. The delivery cost of the service in the short-term</li> </ol>	20
	Investment	<ol style="list-style-type: none"> <li>1. The ability of the option to provide investment into the service</li> <li>2. The cost to LBB of investment in the service</li> </ol>	15
	Income generation	<ol style="list-style-type: none"> <li>1. The ability to generate increased income</li> </ol>	0
	Pace	<ol style="list-style-type: none"> <li>1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>2. How long will it take to implement</li> <li>3. How long will it take to deliver transformational change</li> </ol>	15
A One Barnet approach	Flexibility	<ol style="list-style-type: none"> <li>1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ol>	10
A new relationship with citizens	Performance	<ol style="list-style-type: none"> <li>1. The potential to increase performance against current benchmarks of performance</li> <li>2. The potential to improve the citizen experience and satisfaction levels</li> </ol>	20

Objective	Theme	Considerations	Weighting / %
	Service transformation	1. The ability to transform the service to put the customer at the heart of service delivery 2. The ability to bring and maintain creativity and innovation to service delivery	20

Table 33: IS Evaluation Theme Weightings

Application of these results to the Evaluation matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service		Strategic Partnership		Incremental Partnership		Private Sector Joint Venture	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
		Price	0.2	3	0.6	2	0.4	2	0.4	5	1	4	0.8
Investment	0.15	1	0.15	1	0.15	2	0.3	4	0.6	3	0.45	4	0.6
Income generation	0	1	0	2	0	2	0	3	0	3	0	3	0
Pace	0.15	2	0.3	4	0.6	1	0.15	2	0.3	2	0.3	2	0.3
Flexibility	0.1	4	0.4	3	0.3	3	0.3	3	0.3	3	0.3	3	0.3
Performance	0.2	3	0.6	3	0.6	3	0.6	4	0.8	4	0.8	4	0.8
Service transformation	0.2	2	0.4	4	0.8	2	0.4	4	0.8	4	0.8	4	0.8
Total Score		2.45		2.85		2.15		3.8		3.45		3.6	

Table 34: IS Evaluation Theme Scoring

## F.6. Legal

### F.6.1 Aims and Objectives

Through the NSO Project the Legal service aims to be a service that:

- provides a council run service for areas of high legal, financial and reputational risk to the council
- is flexible and able to adapt to deliver to a council that is radically changing
- provides its customers with more flexibility and choice
- is value for money and affordable
- is of the required quality

### F.6.2 Scope of Legal Service

The Legal service is currently a traditional, in-house council Legal service as this has always been viewed as the most cost-effective means of provision. Recently, the needs of the council for legal support have become more complex, specialist and have increased in volume, but with decreasing resource available within the Legal service due to year-on-year budget cuts.

Large scale projects such as PSCIP, BSF, One Barnet, regeneration projects have engaged legal services from the market due to an overall lack of capacity and specialist expertise within the in-house legal team to deliver the requirements of such projects.

### F.6.3 Performance

For Legal services all CIPFA data is compared to a comparator group of local authorities including London unitary authorities, large metropolitan city and local large county councils.

- The net cost of the Legal service is low, with a comparatively small Legal service, although this is as expected with the demographic make-up of the borough expected to require a comparatively lower level of Legal service than for example inner London boroughs.<sup>38</sup>
- The cost of support staff is low.<sup>39</sup>
- The cost of support facilities is low, partly, but not entirely, due to previous modernisation projects to make use of electronic case management and research materials.<sup>40</sup>
- A relatively high value proportion of service is bought-in from the market, but this is predominantly linked to large scale projects. Although spend on

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<sup>38</sup> CIPFA – Legal Services Benchmarking Club 2010, Comparator Report – Section 2

<sup>39</sup> CIPFA – Legal Services Benchmarking Club 2010, Comparator Report – Section 2

<sup>40</sup> CIPFA – Legal Services Benchmarking Club 2010, Comparator Report – Section 2

such projects is high the authority has an excellent record of recovery (top-performing authority in the comparator group).<sup>41</sup>

- The quality of work is generally regarded by clients as good, but there are perceived issues with delays and timeliness of completion of instructions.<sup>42</sup> This reflects the overall lack of capacity within the service to deal with sustained increases in instructions and growing complexity of these instructions.

#### F.6.4 Cost of Service

The Legal service's costs are outlined below:

		2007/08 Actuals/£	2008/09 Actuals/£	2009/10 Actuals/£	2010/11 Budget/£
Legal	Gross exp	2,300,004	2,178,573	2,268,801	2,436,760
	Income	676,951	771,143	836,360	586,740

Table 35: Costs of the Legal service

- This excludes the amount spent on legal services which has then been recovered from other services.
- Most of this income is linked to planning applications and property transactions and therefore can be variable from year to year and is particularly dependent on market factors.
- There are 32.8 FTEs in the Legal service.

#### F.6.5 Findings

- The Legal service is small and low cost, but is in line with what could be expected for an authority of the size and demographic make-up of Barnet.
- The quality of Legal services is generally good, but there are perceived problems with delays due to the lack of capacity within the service.

#### F.6.6 What does this mean?

- The Legal service needs to change to be able to respond to the challenges presented by changing corporate objectives, particularly from the One Barnet programme and the move to be a commissioning council.
- The Legal service needs to provide more flexibility to its' customers, particularly in relation to capacity, to avoid delays and be able to respond at the same pace to peaks in demand.
- Any future provision of Legal service needs to be affordable.

#### F.6.7 Expected outcomes

<sup>41</sup> CIPFA – Legal Services Benchmarking Club 2010, Comparator Report – Section 2

<sup>42</sup> Internal Legal Services Client Questionnaires

- A different method of provision could provide customers with greater flexibility over their Legal provision.
- The implementation of the One Barnet programme is likely to result in a vastly reduced range of Legal services being required by the core council. A new method of delivery of Legal services could mitigate the risk that this reduction in service requirements will introduce.

### F.6.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the Legal service against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	<ol style="list-style-type: none"> <li>1. The medium to long-term delivery cost of the service</li> <li>2. The delivery cost of the service in the short-term</li> </ol>	30
	Investment	<ol style="list-style-type: none"> <li>1. The ability of the option to provide investment into the service</li> <li>2. The cost to LBB of investment in the service</li> </ol>	0
	Income generation	<ol style="list-style-type: none"> <li>1. The ability to generate increased income</li> </ol>	4
	Pace	<ol style="list-style-type: none"> <li>1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>2. How long will it take to implement</li> <li>3. How long will it take to deliver transformational change</li> </ol>	5
A One Barnet approach	Flexibility	<ol style="list-style-type: none"> <li>1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ol>	30

Objective	Theme	Considerations	Weighting / %
A new relationship with citizens	Performance	1. The potential to increase performance against current benchmarks of performance 2. The potential to improve the citizen experience and satisfaction levels	30
	Service transformation	1. The ability to transform the service to put the customer at the heart of service delivery 2. The ability to bring and maintain creativity and innovation to service delivery	4

Table 36: Legal Evaluation Theme Weightings

Application of these results to the Evaluation Matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service	
		Score	Weighted score	Score	Weighted score	Score	Weighted score
Price	0.3	3	0.9	2	0.6	2	0.6
Investment	0	1	0	1	0	2	0
Income generation	0.04	1	0.04	2	0.08	2	0.08
Pace	0.05	2	0.1	4	0.2	1	0.05
Flexibility	0.3	4	1.2	3	0.9	3	0.9
Performance	0.3	3	0.9	3	0.9	3	0.9
Service transformation	0.01	2	0.02	4	0.04	2	0.02
<b>Total Score</b>			<b>3.16</b>		<b>2.72</b>		<b>2.55</b>

Table 37: Legal Evaluation Scoring

## F.7. Procurement

### F.7.1 Aims and Objectives

Through the NSO project the Procurement service aims to become a service that:

- provides the council with an intelligent commercial and procurement capability that achieves the very best value for money from all of the council's influenceable spend
- provides a co-ordinated, structured contract management capability
- ensures compliance with contract procedure rules and national and European law
- flexibly supports the requirement for complex procurement
- enables systematic performance analysis of procurement and commissioning on an ongoing basis to ensure all contracts deliver value for money throughout their lifecycle
- ensures relationships with vendors and partner organisations are efficient and effective
- provides the organisation with a category management capability

### F.7.2 Scope of the Procurement Service

The Procurement service as defined and scoped within the NSO project does not currently exist within Barnet Council. Procurement in Barnet is largely devolved, delivered by a small centralised team within the Commercial directorate, with pockets of expertise within other services (for example the Supply Management Team in Adult Social Services).

Elements of procurement activity, including the vast majority of contract management, are delivered by a large number of staff within services who are not procurement professionals, for whom the procurement role is only a small part of their overall responsibilities. It is unclear what proportion of this activity would be defined as procurement and what is simple requisitioning.

### F.7.3 Performance

- Small team – 0.01% above the lower quartile for cost of the procurement function as percentage of organisational running costs, but this doesn't include cost of all devolved staff for whom procurement is an add-on to their jobs (costs do include the Supply Management team in Adult's Social Services).<sup>43</sup>

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<sup>43</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Procurement 2009/10 – PP1



- Spend through pre-established contracts is low although the council does not perform badly compared to other unitary local authorities.<sup>44</sup>
- The council's average invoice value is above average, but still considerably below the best performing. This figure (£3,761 vs. £2,837 average) has been influenced by contractual arrangements with some suppliers and some very large developments which are associated with very large invoices.<sup>45</sup>
- The council was not able to answer questions applicable to the Public Sector Procurement Expenditure Survey as IT systems are not set-up to enable the required data to be gathered or output – this is indicative of the fact that systems are not yet in place to support proper end-to-end e-procurement.<sup>46</sup>
- Only four of the expected ten management practice indicators are in place, compared to an average of 7.5 evidencing the under-established nature of the Procurement service in Barnet Council.<sup>47</sup>
- 45% of influenceable spend is not directly allocated to a cost centre on SAP – there is a need to improve system governance.<sup>48</sup>
- There are a total of 9720 vendors on SAP:<sup>49</sup>
  - 5257 (54%) are active
  - 2165 (41% of active vendors) have spend less than £1000
  - 180 vendors equate to 80% of spend
  - 20 vendors equate to 46% of spend, but only 6% of invoice volume (which is good)
  - 20 vendors equate to 30% of invoice volume, but only 8% of spend (which is bad)
- The accuracy of data on contracts is poor, as it has not been collated and interrogated to any degree of reliability and therefore there was no

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<sup>44</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Procurement 2009/10 – PS2

<sup>45</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Procurement 2009/10 – PS2

<sup>46</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Procurement 2009/10 – PS5 & PS6

<sup>47</sup> CIPFA – Draft Report – Public Sector Corporate Services VfM Indicators – Procurement 2009/10 – PP7

<sup>48</sup> TRIBAL - Vendor Review & Savings Opportunity Assessment – Version 2.0 – 10 June 2010

<sup>49</sup> TRIBAL - Vendor Review & Savings Opportunity Assessment – Version 2.0 – 10 June 2010

confidence to use it or draw conclusions (there are 409 contracts in repository linked to 8% of vendors on SAP).<sup>50</sup>

- High level vendor review by Tribal identified significant potential saving opportunities.<sup>51</sup>

#### F.7.4 Cost of Service

The costs below represent the combined costs of the Corporate Procurement Team and the Supply Management Team in Adult Social Services.

		2007/08 Actuals/£	2008/09 Actuals/£	2009/10 Actuals/£	2010/11 Budget/£
Procurement	Gross exp	918,215	2,302,491	1,894,068	1,718,232
	Income	60,951	462,088	286,800	32,200

Table 38: Costs of Procurement Service

- The jump in cost 07/08 to 08/09 was due to the reorganisation and expansion of the Strategic Procurement Team and Supply Management Team in Adult Social Services.
- It has not been possible to identify the total cost of procurement across the organisation at this stage due to the fragmentation of roles and responsibilities.
- Income in 08/09 and 09/10 includes one off income from contracts.
- The influenceable spend across the council in 2009/10 was £250m.
- Due to the devolved and fragmented nature of procurement it is not possible to determine an accurate figure of the number of FTE involved in procurement activity.

#### F.7.5 Findings

- A cohesive, centralised Procurement service does not exist and therefore due to this devolved and fragmented practice procurement does not deliver the value it could to the organisation.
- IT systems are not set-up to support and enable effective, modern procurement practice.
- The organisation needs to change the way in which it procures with a consolidation of activity (transformation to form a Procurement service) and a change in procurement culture to a more centralised and process

<sup>50</sup> TRIBAL - Vendor Review & Savings Opportunity Assessment – Version 2.0 – 10 June 2010

<sup>51</sup> TRIBAL - Vendor Review & Savings Opportunity Assessment – Version 2.0 – 10 June 2010

driven process for procurement and clarity on the retained requisitioning function devolved within services.

#### F.7.6 What does this mean?

In order to move from where it is now to where it wants to be the following have been identified as essential deliverables for Procurement:

- fit-for-purpose IT systems that support modern procurement practice
- consolidation of procurement activity into a central Procurement service
- investment in procurement officers to ensure the centralised procurement service is appropriately skilled
- organisational change in the way goods and services are procured in terms of culture, practice and governance

#### F.7.7 Expected outcomes

- Reduction in direct overhead costs of procurement activity.
- Less non-procurement officer time spent on procurement – freeing staff up for their day-job.
- Significant savings in what is being procured through best-practice procurement.
- Savings in processing functions – e.g. less invoices, purchase orders etc due to better procurement practice.
- Better management of suppliers therefore ensuring performance is meeting requirements and acting when this is not the case.

#### F.7.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the Procurement service against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	1. The medium to long-term delivery cost of the service 2. The delivery cost of the service in the short-term	25
	Investment	1. The ability of the option to provide investment into the service 2. The cost to LBB of investment in the service	5
	Income generation	1. The ability to generate increased income	5

Objective	Theme	Considerations	Weighting / %
	Pace	<ol style="list-style-type: none"> <li>1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>2. How long will it take to implement</li> <li>3. How long will it take to deliver transformational change</li> </ol>	15
A One Barnet approach	Flexibility	<ol style="list-style-type: none"> <li>1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ol>	10
A new relationship with citizens	Performance	<ol style="list-style-type: none"> <li>1. The potential to increase performance against current benchmarks of performance</li> <li>2. The potential to improve the citizen experience and satisfaction levels</li> </ol>	20
	Service transformation	<ol style="list-style-type: none"> <li>1. The ability to transform the service to put the customer at the heart of service delivery</li> <li>2. The ability to bring and maintain creativity and innovation to service delivery</li> </ol>	20

Table 39: Procurement Evaluation Theme Weightings

Application of these results to the Evaluation matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service		Strategic Partnership		Incremental Partnership		Private Sector Joint Venture	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
		Price	0.25	3	0.75	2	0.5	2	0.5	5	1.25	4	1
Investment	0.05	1	0.05	1	0.05	2	0.1	4	0.2	3	0.15	4	0.2
Income generation	0.05	1	0.05	2	0.1	2	0.1	3	0.15	3	0.15	3	0.15
Pace	0.15	2	0.3	4	0.6	1	0.15	2	0.3	2	0.3	2	0.3
Flexibility	0.1	4	0.4	3	0.3	3	0.3	3	0.3	3	0.3	3	0.3
Performance	0.2	3	0.6	3	0.6	3	0.6	4	0.8	4	0.8	4	0.8
Service transformation	0.2	2	0.4	4	0.8	2	0.4	4	0.8	4	0.8	4	0.8
Total Score		2.55		2.95		2.15		3.8		3.5		3.55	

Table 40: Procurement Evaluation Scoring

## **F.8. Revenues and Benefits**

### **F.8.1 Aims and Objectives**

Through the NSO project the Revenues and Benefits service aims to become a service that:

- maximises the number of contacts it resolves at first point of contact
- drives more traffic to the web
- maintains performance levels within the Benefits function
- improves performance levels in the Revenues function
- is able to react and adapt to considerable changing requirements of the service resulting from government policy, socio-economic drivers and other external factors
- delivers the service as cost-effectively as possible

### **F.8.2 Scope of Revenues and Benefits**

The Revenues and Benefits service is responsible for all Barnet properties and residents to:

- collect council tax
- collect National Non-Domestic Rates (NNDR)
- administer housing benefit
- administer council tax benefit

There are currently 165 FTEs working in the service administering £230m of Benefit each year, collecting £170m council tax and £95m NNDR.

### **F.8.3 Performance**

- The average processing time for new Benefits claimants is very low (5<sup>th</sup> lowest in London), which is a very good performance and this is improving year on year.<sup>52</sup>
- The cost of the Benefits function is comparatively low with the 2<sup>nd</sup> lowest staff cost per £1,000 benefits paid in the year out of the nineteen local authorities who participated in the London Efficiency Challenge (L.E.C.).<sup>53</sup>
- Performance regarding timely payment of Rent Allowance is lower than comparators, however this is a conscious level of performance that is viewed as acceptable.<sup>54</sup>

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<sup>52</sup> CIPFA – Benefits Administration Benchmarking Club 2010 – NI181, PM1

<sup>53</sup> London Efficiency Challenge Report 2010 - 74

<sup>54</sup> CIPFA – Benefits Administration Benchmarking Club 2010 – PM4

- The management and processing of overpayments is an issue as the IT system and organisational process do not support their effective management.<sup>55</sup>
- The management of write-offs is inefficient as constitutionally only very small sums can be written off by officers and therefore a lot of time is wasted either pursuing small sums (which cost more to collect than they are worth) or in lengthy bureaucratic processes.<sup>56</sup>
- Handling of appeals is recognised as an area of weakness for the service – the systems and service structure need to provide flexibility to divert resources to address the problems in this area.<sup>57</sup>
- Revenues (Council Tax) is a medium performer in London. The collection rate is 12<sup>th</sup> out of 33 boroughs in London.<sup>58</sup>
- The budgeted yield (ultimate collection target) is 98.5% which is the 4<sup>th</sup> highest target in London. This target has been achieved in previous years and current collection performance is running 0.28% ahead of last year's benchmark. The ultimate yield of 98.5% is on target to be achieved in 2011.<sup>59</sup>
- Current L.E.C. metrics for the cost of the Council Tax function per bill issued show Barnet to be the 2<sup>nd</sup> lowest cost of the twenty participants.<sup>60</sup>
- NNDR collection is low performing with collection rate 29<sup>th</sup> in London,<sup>61</sup> however this is in the context of a 40% cut in staffing budget over the last 7 years. In 2003 before this cut the service was high performing and achieved a collection rate approaching 99%.

#### **F.8.4 Findings**

- Benefits is high performing and low cost.
- Council tax is medium performing and low cost.
- NNDR is low performing and low cost, but has not been an organisational priority.

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<sup>55</sup> CIPFA – Benefits Administration Benchmarking Club 2010 – PM7 - 9

<sup>56</sup> CIPFA – Benefits Administration Benchmarking Club 2010 – PM7 - 9

<sup>57</sup> CIPFA – Benefits Administration Benchmarking Club 2010 – PM18 & 19

<sup>58</sup> <http://www.communities.gov.uk/publications/corporate/statistics/1620336> - Table 5

<sup>59</sup> Survey results from Ealing Council

<sup>60</sup> London Efficiency Challenge Report 2010 - 78

<sup>61</sup> <http://www.communities.gov.uk/publications/corporate/statistics/1620336> - Table 5

### F.8.5 Cost of Service

The costs of the Revenues and Benefits service are outlined below:

		2007/08 Actuals/£	2008/09 Actuals/£	2009/10 Actuals/£	2010/11 Budget/£
Revenues & Benefits	Gross exp	6,421,151	6,601,333	6,901,038	7,417,020
	Income	4,186,753	4,311,789	4,364,943	4,160,910

Table 41: Costs of Revenues and Benefits service

These costs include the costs of administering the service to collect council tax and NNDR and pay Benefits – they do not include the amount paid in benefits and collected in Council Tax and NNDR.

### F.8.6 What does this mean?

- Effective implementation and utilisation of the IT system is key to realising benefits and delivering improved service.
- Changes in organisational process around write-off will mean this activity is managed more effectively and will cost less.
- It is imperative that flexibility is built in to any future service delivery model as the service must be able to react to legislative changes, the impact of the recession on Benefit claimant numbers and the increasing council tax base due to regeneration and building schemes within the borough.

### F.8.7 Expected outcomes

- Improvement in performance of council tax collection will increase the council's income and enable reduction in council tax to residents.
- Using IT systems more effectively will enable the back-office to perform more effectively if this is linked with better use of management information.
- Changes in the write-off process will make managing and administering overpayments and write-offs cheaper and more effective.
- Opportunities will be presented to improve customer experience of the service through technologies and processes developed through the Customer Services Organisation e.g. through the use of interactive web forms.



### F.8.8 Evaluation of Options

The table below outlines the weightings for the evaluation of the Revenues and Benefits service against each of the themes.

Objective	Theme	Considerations	Weighting / %
A relentless drive for efficiency	Price	<ol style="list-style-type: none"> <li>1. The medium to long-term delivery cost of the service</li> <li>2. The delivery cost of the service in the short-term</li> </ol>	30
	Investment	<ol style="list-style-type: none"> <li>1. The ability of the option to provide investment into the service</li> <li>2. The cost to LBB of investment in the service</li> </ol>	5
	Income generation	<ol style="list-style-type: none"> <li>1. The ability to generate increased income</li> </ol>	5
	Pace	<ol style="list-style-type: none"> <li>1. How quickly will benefits be realised and aims and objectives for the delivery of the service be met</li> <li>2. How long will it take to implement</li> <li>3. How long will it take to deliver transformational change</li> </ol>	10
A One Barnet approach	Flexibility	<ol style="list-style-type: none"> <li>1. The potential to adapt and change the service in line with changes in requirements of the service due to One Barnet future requirements, changing legislation etc</li> <li>2. The potential to quickly adapt and change the capacity of the service in response to major incidents and fluctuating demand</li> <li>3. An option that has a high ability to provide services for local partner organisations to promote joint-working and economies of scale</li> </ol>	15
A new relationship with citizens	Performance	<ol style="list-style-type: none"> <li>1. The potential to increase performance against current benchmarks of performance</li> <li>2. The potential to improve the citizen experience and satisfaction levels</li> </ol>	30

Objective	Theme	Considerations	Weighting / %
	Service transformation	1. The ability to transform the service to put the customer at the heart of service delivery 2. The ability to bring and maintain creativity and innovation to service delivery	5

Table 42: Revenues and Benefits Evaluation Theme Weightings

Application of these results to the Evaluation Matrix gives the following results:

Theme	Weightings	In-house Transformation		Consulting-led Transformation		Shared Service		Strategic Partnership		Incremental Partnership		Private Sector Joint Venture	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
Price	0.3	3	0.9	2	0.6	2	0.6	5	1.5	4	1.2	4	1.2
Investment	0.05	1	0.05	1	0.05	2	0.1	4	0.2	3	0.15	4	0.2
Income generation	0.05	1	0.05	2	0.1	2	0.1	3	0.15	3	0.15	3	0.15
Pace	0.1	2	0.2	4	0.4	1	0.1	2	0.2	2	0.2	2	0.2
Flexibility	0.15	4	0.6	3	0.45	3	0.45	3	0.45	3	0.45	3	0.45
Performance	0.3	3	0.9	3	0.9	3	0.9	4	1.2	4	1.2	4	1.2
Service transformation	0.05	2	0.1	4	0.2	2	0.1	4	0.2	4	0.2	4	0.2
Total Score		2.8		2.7		2.35		3.9		3.55		3.6	

Table 43: Revenues &amp; Benefits Evaluation Scoring



# Interim Critique CSO/NSO Options Appraisal

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**UNISON Barnet**

UNISON Office,  
Building 4, North London Business Park,  
Oakleigh Road South,  
London, N11 1NP  
Telephone: 020 8359 2088  
Fax: 020 8368 5985  
Email: [contactus@barnetunison.org.uk](mailto:contactus@barnetunison.org.uk)  
[www.barnetunison.me.uk](http://www.barnetunison.me.uk)

February 2011

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# Interim Comments on the CSO/NSO Options Appraisal

## Key points

1. No analysis of current trends and developments and a vision for the two organisations and how this fits into the future shape and functioning of the Council and public services in Barnet. It is therefore not clear as to how it has been possible to assess the full effects of each option.
2. No assessment of costs and benefits for each service delivery model and thus no value for money.
3. No forecast of affordability and no financial projections re effect of spending cuts.
4. The absence of a risk register and analysis of risk in relation to the impacts of the different service deliveries is in itself high risk (The Council's external Auditors have previously commented on the lack of risk assessment).
5. No in-depth analysis of the options other than subjective strengths and weaknesses.
6. Equalities are of key importance for service users and staff in both CSO and NSO yet completely absent.
7. Poor understanding of outsourcing models and no recognition within the scoring to reflect those risks.
8. There is no recognition of interdependencies between services and hence the options appraisal is incomplete.
9. Concern that the Council appears to be relying on the private sector and the Competitive Dialogue procurement process to develop the CSO concept whilst undertaking transformation to consolidate CSO services within the Council.
10. There is a strong case for the exclusion of Revenue and Benefits and Finance.
11. Staff and trade union consultation only after completion of an options appraisal does not constitute genuine engagement.
12. No evidence that service users have been consulted about the design of the Customer Services Organisation despite claims to want to put 'customers at the heart of the service'.
13. No recognition or concern for democratic accountability and transparency when assessing each service delivery model. This is key issue that is not addressed in the scoring.
14. An OJEU Notice should not be considered until a Business Case has been approved by the Council and a Gateway Review has been completed as part of standard procurement practice.

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## Principles

The document sets out the principles for improving service users' access to the Council, the performance of staff assisting them and increasing opportunities for online transactions. However, this appears in a void because **there is no reference to the vision of the Council in the future**, no reference to the planned outsourcing of other services and the implications this could have for a CSO. The description of the NSO is half a page of little substance.

## Lack of organisational and operational design

The Council appears to be relying on the private sector and the Competitive Dialogue procurement process to develop the CSO concept. It is not acceptable for the Council to adopt a position that it 'does not know what it wants' and to rely on the Competitive Dialogue process to deliver a solution. The CD procurement process was not designed for this high level of dependency.

*"One of the private sector's main complaints about Competitive Dialogue is the tendency for the public sector to use the Dialogue phase as an opportunity to take advantage of „free consultancy“ from the market – allowing suppliers to come forward with suggestions during Dialogue and then using this information to tailor, and often redefine, their requirements and outcomes. Doing this at the Dialogue stage is too late"* (HM Treasury Review of Competitive Dialogue, November 2010).

At the same time the Council is planning to undertake transformation to consolidate CSO services within the Council. It is vital that the Council has a much clearer idea of the CSO model because:

- The private sector is likely to produce models that fit within their experience and interests, which may not align with those of the Council and Barnet residents.
- The lack of clarity could cause delays in the Competitive Dialogue process and result in higher procurement costs.
- The costs and benefits of each option cannot be clearly identified or fairly compared without a model to assess them with.
- Introduces additional risks into the transformation and procurement processes.

## Financial information and impact of spending cuts

There is virtually no financial information other than historic budget totals dating back to 2007/08 plus a breakdown of gross expenditure and income for each service. There is no analysis of how the budget for each service is likely to be affected by planned spending cuts for 2011/12 and subsequent years.

There appears to be some confusion between 'income' and 'income generation'. Firstly, no information is provided on the sources of income for each service and the extent to which it is internal/external and from which sources. Secondly, income generation is normally referred to as the extent to which a service can generate additional income from undertaking work from other public bodies in Barnet and/or other local authorities or from user charges. However, the low score of the shared services option appears at odds with this approach.

## Value for money

The absence of financial projections, scoping analysis and economic appraisal indicates that a value for money assessment has not been undertaken. This indicates that the options appraisal is a 'work in progress' and significant additional work is required before a business case can be completed, let alone consider procurement.

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## **Risk analysis**

The Appraisal is devoid of recognition and identification of the risks associated with each option except in a general sense in Appendices D and E. Weaknesses are not the same as risks.

The section on Strategic Partnership states "...and risk for service delivery will be transferred" (page 33). The Incremental Partnership again states, "service delivery and commercial risk is passed to the partner for all transferred services" (p33). Some risks will be transferred but not all, and new risks arise which are specific to each option. This is naïve.

## **Changing scope of the contract**

The planned outsourcing of other Council services will ultimately result in a declining scope of contract for the NSO as these contractors deliver their own HR, financial and other support services. No profiling of this scenario has been provided yet this could have a very significant impact on the viability of the NSO and the level of private sector interest in the contract. If the Council is making assumptions that the scope of NSO will not decline then it is vital that these are part of the options appraisal and are transparent before a procurement process is commenced.

## **Equalities**

It is of concern that an options appraisal for a new Customer Service Organisation for Barnet citizens and proposals affecting over 900 staff are so bereft of equalities matters.

## **Shared services**

The political and governance implications of pooling resources with other local authorities and the perceived 'letting go' of direct control attributed to shared services is almost identical for public bodies in Barnet (p43). The NHS, FE, Police and so on face the same issues.

## **Is this the reason why there is no analysis of the potential scale of a One Barnet project and the current focus on a one Council approach?**

The set-up costs for shared services, given that they are shared, are unlikely to be as high as the costs of procurement, which will be at least £1m for this contract alone.

## **Employment**

Employment data should be produced in actual numbers of jobs and not simply Full Time Equivalents (FTE). There is a more accurate indicator of the employment impact of different options and is more respectful of staff. 771.7 FTE is equivalent to about 941 full and part-time jobs.

Strategic Partnership and JVC are so close in scores as to be the same given the crudeness of the exercise – no evidence is provided as why secondment has been rejected. There is no evidence that a secondment option has been fully considered.

Several statements in Appendix E regarding the impact of the options on staff are inaccurate, for example, the "limited investment opportunity for upskilling" in both the in-house and shared services options; the "staff would go through a major transformation programme" in shared services (surely this is applicable to all the options); no recognition in the outsourcing options that new staff will be on the same terms and conditions and that a two tier workforce will be created; the statement that "staff should gain access to a wider pool of expertise" is in practice only potentially applicable to a very small number of staff and would also apply to the in-house

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consultant led and JVC options; several statements in the JVC section are very negative describing situation that could arise in all the options; and to claim that “staff confidence dip due to finite venture” is applicable to all the outsourcing options but has been omitted.

### **Strategic partnerships**

“A partnership with the private sector will be the option best able to provide investment into the service, which would not be possible through an in-house option due to the state of the council’s finances” (page 37).

This statement is incorrect. **Price and investment** in a SSP are the same thing i.e. they are both financed by the Council. The private sector may frontload some investment but this will be repaid by the Council at private sector interest rates plus financing arrangement charges. This is the same principle as PFI. Page 43 corrects the above statement but raises questions about the level of understanding that formed the basis of the appraisal.

The above statement implies that the private sector is going to ‘give’ Barnet some investment which is additional to the contract price for the service. This statement, coupled with the ‘strengths of the strategic partnership model on page 40, indicate a rosy and non-analytical appraisal of the evidence of the performance of strategic partnerships to date.

Furthermore, a Strategic Partnership is described as *“a relationship, not purely a contractual provision of service and the relationship with the partner needs to be equally focused at delivering wider aspirational targets, e.g. transformation of the customer experience”*. It goes on the claim that this model *“can make a much wider strategic contribution to the organisation by delivering additional external benefits”* (p33).

The contract will have to identify what the private sector will be expected to deliver. Extras cost money. It will be a contractual relationship, not some loose partnership. Transformation of the customer experience will be a core part of the contract and the council will have to closely monitor that it gets the transformation it has set out in the objectives and the contract. There is no reason why the unspecified ‘additional external benefits’ would not be obtained from the other five options.

We are also concerned that these assumptions about the contract could lead to underestimating the responsibilities, contract management, staffing and cost of the client function. The Audit Commission and ESSU have reported how local authorities with SSPs have frequently under-estimated client side costs, which ultimately affects the level of claimed savings. The Council’s own procurement track record includes this issue must be fully addressed as a matter of urgency.

### **Exclusion of services**

There is any equally valid case for excluding Revenue and Benefits and Finance given the scoring for legal services. Their inclusion gives the impression that have been included to create a desirable contract package rather than the needs of Barnet residents.

Revenue & Benefits and Finance should be excluded from this project. Both are high performing services. Revenue & Benefits is currently implementing a new ICT system. This service does not fit well within the CSO model it is high performing low cost any break up of this service would be a high risk to performance. The poor track record of the outsourcing of this service in London e.g. Hackney, Ealing and Southwark and in nationally where this service has been returned to in-house operation. Where strategic



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partnerships have taken over Revenue and Benefits these have generally been high performing service *before* they were outsourced. In addition, government review of the benefits system could lead to this service being nationalized. This is another reason why it should be excluded from the project.

### **Procurement**

The presentation 'Changing our Support Services' include a slide (No 32) that an OJEU would be produced in April 2011 followed by the business going to CRC for approval in May 2011. This is totally unacceptable procurement practice and exposes the Council to additional risks.

### **Gateway reviews**

No reference to Gateway Reviews and how they will be included in the procurement process as part of a validating and learning process. This is further evidence of an unseemly rush to commence the procurement process with a project that is ill-defined, no consultation with services users despite the project being central to the 'new relationship with citizens', minimal scrutiny and no peer review to draw on best practice.

### **Consultation with trade unions**

The trade unions welcome the more open approach which has provided an opportunity to comment on the options appraisal before it goes to CDG and CRC. However, having an embargoed copy for the branch secretary **does not allow the trade unions to consult with the members who are affected by the appraisal**. The timetable does not give the trade unions sufficient time to adequately assess the proposals. We urge again that staff and trade unions should be involved in the options appraisal process, not simply having the opportunity to comment on the conclusions of the appraisal.

### **Benchmarking**

Page 29 Appendix A states that they analysed Baseline performance, cost and quality. There is no explanation of what this baseline was based on. Further down the page it states that a business case will provide a more detailed baseline for the preferred option. However, **this means that the options ruled out have been ruled out with partial evidence**.

### **Evaluation matrix and methodology**

**Price:** No analysis of a projected total cost of each option, nor evidence of the transaction costs for the different options.

**Investment:** Upfront investment would be low i.e. spread over the life of the contract. This would also be true if the service was kept in-house.

**Income Generation:** The ability to generate additional income is roughly an equal responsibility shared between Barnet and other local authorities and public bodies. Therefore, the **award of one point for the in-house transformation is unwarranted** and should be at least the same as a consultant-led transformation. The current marking may reflect an assumption that the private sector is more successful in generating income, **yet there is no evidence to support this**. Although a private partner may increase income generation opportunities at least half the benefits would have to be shared the contractor. Furthermore, strategic partnerships have a poor record in obtaining additional work from other public bodies and in job creation.

**Pace:** Throughout the **appraisal the scoring for in-house is the same in all services** on pace as the other options (except consultant led in-house). However on

p37 it says; “Any in-house option will deliver faster than a partnership with a private sector because there will be no requirement for a lengthy procurement process.”

**Flexibility:** This theme includes ability to work with other local partner organisations – **but there does not appear to be any interest in this.** It is given a low weighting throughout the scoring, yet flexibility is key to all other criteria.

**Performance:** Future performance is subjective based on analysis of current and past performance and evidence gathered from other local authorities. This must be based on research and intelligence, not simply benchmarking data. One criterion is a service “readily” available to deliver high performance service. What does “readily” mean? Staff morale will affect performance!

**Service transformation:** The in-house options scores low on Service Transformation (p38) because the Council has a poor track record. Barnet Council has a poor and costly track record on outsourcing and privatisation which seems to have been ignored.

**Weightings:** The weightings applied to service evaluations change from one service to the next without providing any rationale for the figures selected. E.g. the price weighting for the CSO is 15%, for Estates it’s 20%, for Finance the figure is 25% etc and yet the explanation for weighting under “consideration” for each service is the same.

### Revised Evaluation Matrix

Please find below our scoring **based on the limited information provided in the Option Appraisal process and limited to the selected evaluation criteria.** Additional criteria, such as governance and equalities, should be included in the matrix. The figure in the report are shown in brackets.

**We have not been able to consult our members who are likely to have further comments on the evaluation matrix and the appraisal as a whole.**

Theme	In-house		Public Sector Partnership	Private Sector Partnership		
	In-house Transformation	Consultant-led transformation	Shared Service	Strategic Partnership	Incremental Partnership	Private Sector Joint Venture
	Score	Score	Score	Score	Score	Score
Price	3 (3)	2 (2)	3 (2)	4 (5)	4 (4)	4 (4)
Investment	3 (1)	3 (1)	3 (2)	4 (4)	3 (3)	4 (4)
Income generation	2 (1)	2 (2)	2 (2)	2 (3)	2 (3)	2 (3)
Pace	3 (2)	4 (4)	2 (1)	2 (2)	2 (2)	2 (2)
Flexibility	4 (4)	3 (3)	3 (3)	3 (3)	3 (3)	3 (3)
Performance	3 (3)	3 (3)	3 (3)	3 (4)	3 (4)	3 (4)
Service transform.	3 (2)	4 (4)	3 (2)	3 (4)	3 (4)	3 (4)
Governance						
Equalities						
<b>Total</b>	<b>21 (16)</b>	<b>21 (19)</b>	<b>19 (15)</b>	<b>21 (25)</b>	<b>20 (23)</b>	<b>21 (24)</b>

### Reference

London Borough of Barnet (2011) Options Appraisal for Customer Service Organisation and New Support Organisation, Version 6.00, February, London.

**Options Appraisal for  
Customer Service Organisation  
and  
New Support Organisation**

**Commentary on Interim Critique from  
Unions**

## Introduction

A copy of the CSO/NSO Options Appraisal<sup>1</sup> was shared with Trade Unions (UNISON, GMB, NUT, NASUWT) on an embargoed basis on 24 January 2011. During the week beginning 31 January 2011 representatives from UNISON and the GMB attended staff briefings on the options appraisal in the eight services in scope.

The Unions have considered this document and provided an Interim Critique dated 7 February 2011.

This report outlines the main points in the Union report and a proposed response to the 14 key points raised.

- 1. No analysis of current trends and developments and a vision for the two organisations and how this fits into the future shape and functioning of the Council and public services in Barnet. It is therefore not clear as to how it has been possible to assess the full effects of each option.**

The introduction to the options appraisal sets out how the projects fit within the One Barnet programme and the council's overall vision for future service delivery. However, this is an options appraisal, and therefore the purpose is not to develop a vision for the NSO and CSO and how these fit into the future shape and functioning of the council, as this has been done through previous reports, particularly the One Barnet Framework.

The document addresses the aims and objectives to be achieved through the projects for each service and analyses the current performance and needs for development of each service (Appendix F).

Current market trends were examined through soft market testing.

Further work will be done through the development of the business case to answer the question of viability in the current market place.

- 2. No assessment of costs and benefits for each service delivery model and thus no value for money.**

The options appraisal presents a broad, qualitative view on the costs and benefits of each service delivery option. A detailed financial analysis of costs and benefits will be completed through the development of the business cases.

- 3. No forecast of affordability and no financial projections re effect of spending cuts.**

The council's Medium-term Financial Strategy (MTFS) sets out the council's strategy for dealing with spending cuts, of which the benefits to be realised through the One Barnet programme are a key part. This is explained in the One Barnet framework.

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<sup>1</sup> Version 6.00

A detailed assessment of affordability for this project will be completed through the development of the business cases, taking into account the effect of the council's MTFS.

- 4. The absence of a risk register and analysis of risk in relation to the impacts of the different service deliveries is in itself high risk (The Council's external Auditors have previously commented on the lack of risk assessment).**

Management of project risks has been in place throughout the development of the options appraisal.

A detailed analysis of risk was not completed as part of the options appraisal, but will be completed through the development of the business cases. Equalities impact assessments will also be carried out to assess the impact of change on services.

- 5. No in-depth analysis of the options other than subjective strengths and weaknesses.**

The approach to analysis of the options at this stage has been consistent with other One Barnet projects. The analysis of options has to be subjective to a certain extent at this time, but has taken into account a number of factors: our implementation partner's in-depth understanding of the different delivery options, site visits and discussions with other local authorities who have undertaken a number of different routes to change and a detailed analysis of the requirements of each of the in-scope services through analysis of recognised benchmarking data on the cost and performance of the services. All of this has allowed us to examine the options, taking into consideration the pace of change we are looking for, as well as the level of savings and existing capacity.

- 6. Equalities are of key importance for service users and staff in both CSO and NSO yet completely absent.**

Equalities Impact Assessments will be completed through the development of the business cases.

- 7. Poor understanding of outsourcing models and no recognition within the scoring to reflect those risks.**

The scoring was developed based on an in-depth understanding of the strengths and weaknesses of each of the potential delivery options.

An understanding of the risks inherent within any procurement process and learning from experiences of outsourcing (including those from other local authorities) will be built into the plans for the procurement process and future delivery models in order to mitigate these risks and ensure the best outcome for the council.

- 8. There is no recognition of interdependencies between services and hence the options appraisal is incomplete.**

The completion of an options appraisal incorporating all eight services and joining up the individual service options appraisal recognises that there are

interdependencies between the in-scope services, hence their future delivery being appraised jointly. A detailed understanding of the interdependencies between the services in scope, other council services and the interdependencies between the retained client and provider side functions in each service will be developed through the production of the business cases and specifications.

**9. Concern that the Council appears to be relying on the private sector and the Competitive Dialogue procurement process to develop the CSO concept whilst undertaking transformation to consolidate CSO services within the Council.**

It is acknowledged that there is a risk to transforming customer services in parallel with procuring a strategic partner through a competitive dialogue process. This risk is mitigated by the governance arrangements within the One Barnet programme with close working between the project managers for the two projects and the overarching programme management arrangements.

The council is not relying on competitive dialogue to develop the concept of the CSO. If the recommendations are approved, we will develop a business case for the internal transformation of customer services to deliver a more customer centric organisation prior to any agreement with the private sector.

Competitive Dialogue is designed to give the providers the opportunity to bring forward different ways of working, and is the ideal method for procuring in this complex and changing environment. In addition, the Soft-Market Testing exercise completed in September 2010 discussed the potential for a changing shape of the service during the dialogue, which those companies involved were comfortable with as long as the council was transparent about what was happening.

**10. There is a strong case for the exclusion of Revenue and Benefits and Finance.**

Whilst these are high performing services, there is potential to reduce costs and improve performance which the options appraisal identifies can best be delivered through the procurement of a strategic partner to deliver these services.

For Revenues and Benefits there are also benefits that can be realised by delivering this service closely with Customer Services.

**11. Staff and trade union consultation only after completion of an options appraisal does not constitute genuine engagement.**

The approach to engagement on this project has been consistent with the agreed approach for all One Barnet projects.

Managers within the services have been involved all the way through the completion of the options appraisal.

Trade Unions were initially engaged with the options appraisal process on 2 November 2010, when they were presented with the methodology that was to be followed to complete the process. At this point they were asked to provide feedback and concerns they had with the process. A further meeting with Trade Unions was held on 29 November 2010.

**12. No evidence that service users have been consulted about the design of the Customer Services Organisation despite claims to want to put ‘customers at the heart of the service’.**

The design of the Customer Services Organisation is being developed from the insight we have on customers and their preferences for how they engage and interact with the council. Through the transformation of Customer Services it will be necessary to engage with customers directly for specific elements of the project.

**13. No recognition or concern for democratic accountability and transparency when assessing each service delivery model. This is key issue that is not addressed in the scoring.**

Any future service delivery model would need to ensure that the required democratic accountability is maintained. The democratic accountability that is required will be explicit through any procurement process.

**14. An OJEU Notice should not be considered until a Business Case has been approved by the Council and a Gateway Review has been completed as part of standard procurement practice.**

Whilst it is not standard practice to issue the OJEU notice in advance of the approval of the Business Case, there are other factors affecting this recommendation, such as the pace of change and our commitments to deliver to the MTFS. We have put actions in place to manage associated risks.

The business case must be approved by CRC before the start of any dialogue with the market, and therefore before any significant resource is spent on the procurement process.

A proposal on the Gateway Review process for One Barnet projects is being put together for consideration by the Programme Board.