

## **AGENDA ITEM 7** Pages 69 - 76

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Meeting	Cabinet Resources Committee
Date	29 June 2011
<b>Subject</b>	<b>New Support and Customer Services Organisation Business Case</b>
Report of	Cabinet Member for Resources and Performance Cabinet Member for Customer Access and Partnerships
Summary	This report outlines the business case for the outsourcing of support and customer services and seeks authority from the Committee to approve the business case for the procurement of a strategic provider.

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Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A: Business Case Appendix B: Employee Equalities Impact Assessment Appendix C: GMB Interim Report Appendix D: Unison Interim Report Appendix E: Response to TU Interim Report
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

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## **1. RECOMMENDATION**

- 1.1 That the committee approves the New Support and Customer Services Business Case in order that the council can begin the competitive dialogue process, following the previously approved placing of the OJEU notice.**
- 1.2 That the authority to award contract remains with the Cabinet Resources Committee.**
- 1.3 That the committee give due regard to the statutory equality duties under the Equality Act 2010 and the outcomes of the equality impact assessments referred to in this report.**

## **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.
- 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.
- 2.8 Cabinet Resources Committee, 2 March 2011, Decision 9, Customer Services Organisation and New Support Organisation Options Appraisal

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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.

### 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
- 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 (CSO) and New Support Organisation (NSO) 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
- 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
- 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)
- 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 Key risks associated with the procurement of these services highlighted in the business case along with the respective mitigating actions. These risks will be updated in later iterations of the business case produced during the life of the procurement process.

4.3 The key risks of not implementing the recommendations of this business case 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 business case are:

- 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
- inadequately designed output specifications could lead to a partner not delivering the expected service and leave the council at risk of increased contract costs – the council has procured support in designing the specifications with services. Additionally review and challenge will be provided by departments that are customers of these services to ensure they are fit for purpose
- current financial benefits are based on current service costs which are likely to have changed at point of contract mobilisation – the business case will be updated through the life of the procurement to reflect any changes to baseline figures (savings from internal transformation or as elements of the case are known in more detail)
- loss of internal and external engagement due to poor communication - communication and engagement plans are in place for the procurement phase of this project with council staff and partners

## 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, this is attached as Appendix B.

5.2 Throughout any period of change the One Barnet Programme will act in accordance with many of the principles in the Council's Managing Organisational Change policy including:

- the employees concerned will be treated in a fair and equitable way
- advance notice of the impending change is given to the employee concerned as soon as possible including:
  - the rationale for change
  - the proposed change
  - the impact upon employees
- change will be brought about in line with the Inform & Consult policy
- management will consult with recognised trade unions and staff on issues as above
  - employees will be given an opportunity to discuss in a meeting the reasons for the change
  - appropriate information will be shared with employees and recognised trade unions
- Employee Support programmes will be provided where fitting

The Council will continue throughout the process to assess the impact of the change in regard to the protected characteristics. It is important to understand the effect change will have on these employees and what the Council can do to minimise any impact.

There will be clarity on actual impacts at the stage of contract award, following competitive dialogue. Until the future employer is known all analysis is based around possibility.

- 5.3 The Equalities Impact Assessment will be revisited at key milestones throughout the projects lifecycle to assess the impact of the procurement process and any service transformation on the council's employees.

**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 (MTFS) 2011/12 – 2013/14 report approved at Cabinet on 14 February 2011.
- 6.3 The MTFS includes savings in respect of New Support Organisation and Customer Service Organisation as follows (all figures are cumulative)

	2012/13	2013/14	2014/15	2015/16	2016/17
NSO	1,916	2,336	2,336	2,336	2,336
CSO	640	640	640	640	640
TOTAL	2,556	2,976	2,976	2,976	2,976

The savings in the "prudent" version of the business case are as follows (figures here are included over a 5 year period):

	2012/13	2013/14	2014/15	2015/16	2016/17
NSO	527	1,812	2,346	3,302	4,546
CSO	0	0	0	0	0
TOTAL	527	1,812	2,346	3,302	4,546

There are no savings in respect of CSO included in this business case under the prudent scenario. The internal transformation programme needs further work to be completed to ensure that the £640k of savings in the MTFS can be realised for 2012/13. The initial indications from the project are that savings of this magnitude will be achieved.

The savings in respect of NSO included in the business case are as follows:

	2012/13	2013/14	2014/15	2015/16	2016/17
NSO savings in business case	527	1,812	2,346	3,302	4,546
NSO savings in MTFS	1,916	2,336	2,336	2,336	2,336
DIFFERENCE	(1,389)	(524)	10	966	2,210

This table shows that the savings in the MTFs for 2012/13 and 2013/14 are not achieved based on the prudent version of the business case. Further work is therefore needed to enable a balanced budget to be set in 2012/13 and 2013/14, and this will be resolved in the business and financial planning process about to commence. However, by 2015/16 and 2016/17, a saving significantly greater than the current MTFs target would be achieved.

- 6.4 The up front costs of change will be funded from the council's transformation reserve, in line with the agreement in the One Barnet Framework.
- 6.5 The council will continue to meet all of its statutory and contractual obligations in regard to change and its impact upon our 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. All matters relating to staffing and requiring a decision must be referred to the General Functions Committee for approval.
- 6.6 An embargoed version of a draft of the business case was shared with Trade Unions. Their interim reports of the business case and a commentary addressing the points raised in the two reports 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 actual procurement phase.

## **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 options appraisal for the Customer Services Organisation and New Support Organisation was approved by Cabinet Resources Committee in March 2011. This

decision gave approval to initiate a procurement process for the delivery of seven support services:

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

Additionally the function of project management, currently carried out predominantly through the Corporate Programmes Team, is also in scope for delivery by a provider

The recommendation from the options appraisal was that although a procurement process could be initiated with the issued of an OJEU notice it could not proceed to competitive dialogue until the business case for outsourcing these services had been approved by Cabinet Resources Committee.

9.2 The requirement for change within the support and customer services is:

- In order to respond to the challenges and opportunities presented by a changing customer profile
- 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
- As a result of the funding gap the council is required to carefully consider where it is able to invest and this has to be the frontline services. The council is seeking the opportunity for a number of its support services to be outsourced to an organisation where these services are the core business and can provide investment and economies of scale.

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

- provide the best possible professional service to their customers (Children's Service; Adult Social Services; Planning, Environment and Regeneration; Barnet Homes; and schools)
- enable customer channel shift
- provide better use of the customer's time by the customer service channels acting as an advocate for the customer
- make savings to benefit the taxpayer
- enable services to adapt to the future shape and function of the council and public services in Barnet.

9.3 The business case, in response to the options appraisal has two key aims. To identify the non-financial benefits the council expects to achieve through procuring a new delivery method for these services to the council, staff and customers and demonstrate the financial savings against each service area involved and how the combined savings are then profiled over a ten year contract.

9.4 The council expects that through procuring a strategic partner it will be possible to deliver the transformation of customer services, which is at the core of substantially improving customers' and residents' experience of dealing with the council. The transformation will improve customer services and develop a better understanding of customers' needs, driving service improvements such as improved methods of customer engagement.

- 9.5 The recommendation from the business case is that the procurement process, begun with the issue of the OJEU notice in June 2011, to identify a strategic partner for the delivery of support and customer services continues. The most appropriate method identified to procure this provider is through competitive dialogue as this will enable the council to engage in dialogue with potential providers and is then best positioned to identify the solution it desires. This procurement process is likely to take twelve months with approximately three to five months for service mobilisation. As such any staff transfer is likely to occur in early 2013.
- 9.6 This business case will be updated at key points during the procurement process to take into account any changes as a result of internal service transformation. The final evaluation of tenders will be viewed against the most current version of the business case to ensure the council is still achieving the expected value for money by carrying out this change to delivery and aligns to the council strategic and financial objectives.

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

- 10.1 Customer Services Organisation and New Support Organisation: Options Appraisal
- 10.2 One Barnet Framework

Legal – MM

Finance – JH / MC



# **London Borough of Barnet**

## **New Support & Customer Services Project: Business Case**

June 2011

# Document Control

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## Version Control

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0.1	Initial draft for comment	Suzanne Hope	06/05/11	Draft
0.2	Circulation to Trade Unions	Suzanne Hope	19/05/11	Draft
0.3	Circulation to Trade Unions v2	Suzanne Hope	23/05/11	Draft
0.4	Circulation to CDG	Suzanne Hope / Nicky Cox	1/6/11	Draft
0.5	Final report submitted to CRC	Suzanne Hope	7/6/11	Final

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# 1. Executive Summary

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This business case is in response to the customer services organisation and new support organisation options appraisal<sup>1</sup> which recommended that a business case for outsourcing a number of support services and the customer service should be produced. The options appraisal identified that a strategic partnership with a private provider would be the most effective approach for the council as this would form a relationship between council and provider rather than a solely contractual provision of services. This partnership would allow the council to meet its objective of service transformation and innovation to match customer need whilst ensuring business as usual activities were not compromised. The council believes that this model of service delivery will allow the provider to contribute to the council's strategic aim of delivering a responsive customer focused organisation.

The council expects that in delivering a new customer service the chosen provider will take advantage of evolving technology, best practice, specialist experience and innovation in the market place beyond the capability of the council. The provider will be able to respond to with flexibility to the changing demands of customers. All of which will place the council in a stronger position to drive joint working with partners in both the voluntary and public sectors.

The council anticipates that a provider will be able to bring both expertise and investment to the services in scope to raise the level of efficiency and effectiveness. The provider will be required to maintain or improve on current service levels and drive efficiency savings on service cost. It is acknowledged that through reducing service cost it will equally reduce the income from those services currently trading with Barnet Homes and schools to the benefit of these partners who may see a reduced cost for the service they purchase.

The recommendation from this business case is that the procurement process identifies a strategic partner for the delivery of support and customer services, which began with the issue of the OJEU notice in June 2011, should continue. The most appropriate method identified to procure this provider is through competitive dialogue as this will enable the council to engage in dialogue with potential. This will ensure the council is in the best possible position to identify the solution it desires. This business case will be updated at key points during the procurement process to take into account any changes in both baseline staff and financial information. The final evaluation of tenders will be viewed against the most current version of the business case to ensure the council is still achieving the expected value for money by carrying out this change to delivery and aligns to the council strategic and financial objectives.

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<sup>1</sup> Customer Services Organisation and New Support Organisation – Options Appraisal report to Cabinet Resources Committee 2 March 2011

## 1.1 The services in-scope

The options appraisal<sup>2</sup> considered a number of potential future delivery options for the services in scope. This evaluation, and an analysis of the cost and performance of services, scored the Strategic Partnership delivery option highest.

This grouping of Barnet's services covers the core customer-facing and support services for both staff and citizens alike.

The following services are within the scope of the New Support and Customer Services Project:

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

Additionally, the function of project management, currently carried out predominantly through the Corporate Programmes Team, is also in scope for delivery by a provider.

The mandate for the New Support and Customer Services Procurement 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
3. as a result of the funding gap the council is required to carefully consider where it is able to invest and this has to be the frontline services. The council is seeking the opportunity for a number of its support services to be outsourced to an organisation where these services are the core business and can provide investment and leverage commonality.

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

- provide the best possible professional service to their customers
- provide better a customer service that enables other services to better focus on responding to the needs of the customer
- make savings to benefit the taxpayer
- enable services to adapt to the future shape and function of the council and public services in Barnet.

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<sup>2</sup> Customer Services Organisation and New Support Organisation – Options Appraisal report to Cabinet Resources Committee 2 March 2011

## **1.2 The size and scale of the services in scope**

Under existing arrangements, the seven services are delivered with a gross budget of £45.3m. Staffing levels associated with the functions deemed in-scope for the New Support and Customer Service Organisation, equate to 622 full-time equivalents, as detailed in Appendix A.

## **1.3 Benefits Realisation**

Through a private sector partnership, the financial benefits to the council could be as much as 14 per cent in a typical year from the current gross baseline figure – this figure averages to 11 per cent over 10 years (17 per cent in the optimistic scenario).

Further financial benefits could be realised as the requirement for support decreases as a result of the One Barnet Programme<sup>3</sup> and these benefits are not reflected in the figures above. 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 it is more likely to be a minimum of six to twelve months after the contract commencement.

Over a ten year period (the typical contract duration for such a service provision deal) financial benefits could equate to as much as £38m (in the optimistic scenario this increases to £63m). This is significantly more than indicated in the One Barnet Framework, but is based on a more robust analysis of both current service costs, and potential future service transformation.

## **1.4 Approach to delivery**

The council needs to begin service transformation now as waiting until the conclusion of a procurement process in 2013 will be too late to deliver the committed savings. The direction of travel has been set now to start the internal transformation, specifically in relation to three service areas:

- Customer Services
- Information Systems
- Procurement

Customer Services transformation will:

- provide a more efficient customer experience
- deliver more customer contact to those channels which are most cost effective whilst delivering a good service to customers
- provide the information and insight needed to work with service providers inside and outside of the council to enable them to reposition services around the customer and through life events
- act as an advocate to ensure customers individually and collectively receive services that respond effectively to their needs

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<sup>3</sup> One Barnet Framework report to Cabinet 29 November 2010



This will be delivered through providing a joined up customer information service with professionally skilled staff who are able to support service providers with information and insight about customers whilst acting on behalf of the individual customer. The deliver of this service will be possible through using the appropriate technological systems. The customer service transformation business case will set out the scope and potential savings associated with this transformation.

Information Systems transformation will:

- review IT infrastructure management and associated service call procedures
- improve management of mobile IT stock, desktop services and support
- realign application support; review service desk and applications support, staffing and service call management
- review information and data management, incident reporting and risk
- target the management of existing projects and implement a delivery methodology for new projects
- target management of the IS transformation process; restructure strategic IS staff and business communication channels; rationalise contracts, licences and asset consulting; and review performance management.

Procurement transformation will:

- facilitate purchasing on a corporate-wide basis
- performance manage contracts and provide improved spend insight
- improve and standardise contract management and problem resolution skills
- consolidate the procurement services
- review and reduce vendor base and contract values
- develop e-procurement.

To procure a strategic partner the council believes the most appropriate route is through the OGC Competitive Dialogue Procedure. This is the route recommended for complicated procurement that enables negotiation with suppliers and supports innovation in the market. As set out in the options appraisal, this process should allow for the formation of 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 Introduction

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The council has previously identified a number of significant challenges that can not adequately be addressed through business as usual. These are:

- The financial context - in 2010 the Spending Review<sup>4</sup> announced reductions in government support to local authorities of 26 per cent over the next four years. In response to this challenge, the council has consulted on savings proposals to reduce the funding gap of £53M<sup>5</sup> affecting Barnet Council over the next three years.
- Resident satisfaction - despite consistent improvements in service delivery, satisfaction with Barnet Council, as with other local authorities, has been on a downward trend.
- Increased expectations from customers for more personalised services and continued pressure to provide more services

As a result the council has recognised that the delivery of services has to now change in order to respond to the challenges above.

The One Barnet programme is built around the principles of a new relationship with citizens, a one public sector approach, and a relentless drive for efficiency. The primary driver for the programme is to develop a customer centred organisation, with the programme is also expected to help reduce the cost of the provision of services to our residents.

## 3 The Purpose of the Business Case

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The business case has three key aims

- to identify the non-financial benefits the council expects to achieve through procuring a new delivery method for these services to the council, staff and customers
- to articulate a robust baseline and the scale of the financial case across the services
- to demonstrate the financial savings against the individual service areas involved and how the combined savings are then profiled over a ten year contract.

This business case builds upon the findings and recommendations contained within the options appraisal that was undertaken in the winter of 2010. This report reviewed the current service levels and potential future delivery options of the services identified in 1.1 and recommended the procurement of a private sector partner to deliver the services going forward. By definition, this business case is a dynamic document, and as such will be updated at appropriate points in time over the next 12-18 months.

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<sup>4</sup> Spending Review report by HM Treasury, October 2010

<sup>5</sup> Budget, Council Tax and Medium Term Financial Strategy report to Cabinet 14 February 2011

## 4 Strategic fit

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The overarching aim of the One Barnet programme, as set out in the One Barnet Framework, is to create a citizen-centric council. Citizens are “to get the services they need to lead successful lives, and to ensure that Barnet is a successful place.”<sup>6</sup>

Barnet Council faces a funding gap of £53M<sup>7</sup> over the next three years. In order to help mitigate the impact of this funding gap the council is now looking to procure a private sector partner to deliver the services in scope. The partnership will involve significant investment by the partner into the services and a decrease in the cost of the service to the council. Through outsourcing the support services to a strategic partner, process re-engineering will deliver efficiency savings in support of the Medium Term Financial Strategy (MTFS) which seeks to bridge the funding gap.

The strategic objective of the council is to deliver a new customer delivery model. The expectation is that a company that specialises in customer service can draw on extensive experience and professionalism in this field. This organisation should be able to utilise new practices and deliver continuous innovation throughout the life of the contract.

Through procuring a strategic partner it will be possible to deliver the transformation of customer services, which is at the core of substantially improving customers’ and residents’ experience of dealing with the council. The transformation will improve customer services and develop a better understanding of customers’ needs, driving service improvements such as improved methods of customer engagement.

The contract notice, published 17 June, makes reference to the fact that the contract will be open for other public and third sector partners to utilise. The result of this could mean that in spite of a reducing size of council requiring support the actual value and scope of work could increase. This opportunity for partners to take advantage of the contract is something that the council with the support of the provider will actively encourage during the contract term.

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
- enable customers to help themselves by providing accurate and accessible information and allowing 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
- be flexible and therefore able to rapidly respond to changing demands.

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

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<sup>6</sup> One Barnet Framework report to Cabinet 29 November 2010, pg 6

<sup>7</sup> Budget, Council tax and Medium Term Financial Strategy report to Cabinet 14 February 2011

- 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.

## 5 Scope

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The council services in scope are listed below:

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

All services within the scope of the project are currently delivered in-house and current budget and employee numbers are summarised below. Further detail on the services can be found in Appendix A.

Service	FTE	Gross 11/12 Expenditure £000	Total 11/12 Income £000
Procurement	27	1,721	32
Customer Services	58	2,554	170
Estates	74	13,016	5,941
Finance	145	5,949	1,121
Human Resources	81	4,121	2,371
Information Systems	76	9,718	2,314
Revenues and Benefits	162	6,882	1,697
<b>Total</b>	<b>622</b>	<b>43,961</b>	<b>13,647</b>

**Table 1 Service scope**

It should be noted that there are IT systems in use throughout the council that are supported through external service contracts, and not by in-house IS. These contracts would need to be novated to the new provider.

It should be noted that, following the Competitive Dialogue Procedure, the final scope may exclude some of these services for practical, commercial or legal reasons.

## **6 Benefits Case**

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### **6.1 Introduction**

The benefits sought by the project align with the council's strategic One Barnet objectives. The key benefits for change are set out below.

### **6.2 Strategic benefits**

The council expects that a strategic partnership with a private provider will ensure the council is able to deliver the best possible service focused around customer (internal and external) need.

It is expected that the chosen service provider will deliver insight through the customer service, whose primary role is to be an advocate for the customer will be able to gather information and insight on the changing needs of the customer. This information will then be used by the council to commission services to better meet customer needs.

The council is seeking a partner for whom these services form their core business and can bring a new focus on service delivery. It is expected this will be driven through the provider's extensive experience in business process re-engineering and their ability, through proven experience, to configure the services into a highly effective and efficient customer focused entity whilst reducing costs and increasing income. This will result in the council being better placed to meet customer needs.

The council recognises that a number of framework agreements already exist for delivery of shared services and this may well increase during the life of the contract, for example the expected delivery of OneSAP. The council will be looking to all bidders to identify how they can utilise framework contracts in the market place that could deliver best value for the council through delivery of shared services across a number of councils.

### **6.3 Non financial benefits**

All bidders will be required to provide proposals which meet the council's requirements in terms of non-financial benefits by being transformational. The council will expect to see means by which the services can be delivered with benefits that focus on the customer and citizen experience.

The council recognises that the way in which services are delivered is changing both internally and externally. The customer service organisation will be expected to engage with the full spectrum of service providers in order to meet the needs to the customer. They will also be expected to develop a partnership approach with council staff in responding to customer problems.

A summary of the potential non-financial benefits of the project, and how they align with the One Barnet key principles is provided below.

## **A new relationship with citizens**

The services will:

- support those staff delivering frontline services by ensuring they have the necessary support and tools to carry out their work. It is expected that bidders will provide business plans for the continued development of staff skill sets to ensure all support service functions can run as smoothly and efficiently as possible. This will allow the front line services to focus on their core duties in supporting those most in need and in turn improving customer satisfaction
- be expected to increase their capability in achieving customer self service resolution as part of the Strategic Partnership
- be able to facilitate speedier issue resolution through process and system improvements
- direct customers to the most cost effective channel or choice of channels (for both the customer and the council) when they contact the council
- deliver a consistent, high quality experience regardless of the channel type or service requested
- maximise opportunities for self service and use of emerging technologies
- ensure insight and information from the customer experience is provided to the council to be used in commissioning, designing and improving services
- support council and local public services in joining up the customer service around the needs and life events of customers to provide a more personalised service
- enable resolution of issues through a single point of contact with customer services
- build customers' capability to help themselves and others
- enable customers to provide information only once, which can be used to provide a range of related services
- provide a coherent brand, identity and ethos for customer services that builds a new relationship with the citizens of Barnet
- increase the number of enquiries resolved at the first point of contact and reduce the failure-demand
- become more responsive to changing citizen needs within the borough and be able to adjust service offerings accordingly
- improve their ability to share council intelligence, and utilise provider expertise to inform strategic direction, decisions and overall service delivery.

## **A one public sector approach**

The services will:

- be developed and joined up through life events to enable a customer service to be delivered to other public sector bodies in Barnet, such as GPs, and third sector partners. These public and third sector partners would be able to access provision of support and customer services through the council.
- potentially deliver savings to Barnet Homes and schools who purchase elements of support services. Efficiencies delivered in these service areas could reduce the cost of the traded services
- have enhanced capacity and capability to drive improvements in the maintenance and development of council assets
- be able to utilise experience and expertise gathered from delivering similar public sector services to resolve issues and carry out process improvements more effectively and efficiently.

## **A relentless drive for efficiency**

The services will:

- benefit from the experience of a private sector organisation in enhancing performance whilst realising operational efficiencies
- be able to be delivered through a reduced FTE given the potential for economies of scale provided by a strategic partner
- benefit from initial capital investment to facilitate early service improvement and operational development that the council will pay back across the life of the contract
- secure the necessary investment in technology, process and change management to deliver efficiencies and service improvements
- benefit from investment in technology, process and change management to deliver efficiencies in process management
- benefit from service experience, specialist skill sets and capability to access innovation and creativity in order to deliver faster service transformation
- be able to provide flexible deployment arrangements of staff that will allow customer and staff issues to be resolved during a consistent time period
- benefit from new performance management systems to ensure consistency across service areas and ensure high efficiency levels of work
- provide the council, alongside the other One Barnet projects, with an opportunity to locate all remaining council staff into a single building at North London Business Park (NLBP). The council has break clauses within one lease that will take effect in 2015.



## 6.4 Benefits for staff

Given the volume of staff involved in the services it is equally important to ensure benefits for staff are set out by bidders as part of their proposals. Although this cannot be guaranteed, the scale of operations of the organisations likely to seek a partnership with us may also significantly enhance opportunities for staff in terms of their personal and professional development. For example, staff will potentially have:

- the opportunity to share in and enhance expertise and insight from new colleagues and best practice methodologies from a wider pool of peers in a new organisation
- greater experience of industry standards and how they inform business practice across a variety of organisations
- wider opportunities for personal development that could lead to promotion into a broader range of management and senior management roles
- greater opportunities to attend training courses to help them develop personally and professionally, which could be furthered by the opportunity to work on varied contracts
- the opportunity to develop new commercial skills that will broaden their personal skill base
- access to more developed talent management and succession planning programmes.

## 6.5 Financial benefits

The approach taken to calculate current delivery costs and the financial benefits associated with New Support and Customer Service Organisation is outlined in this section.

For each service the project established the current service cost, assessed the potential for the service to improve, and articulated the financial case.

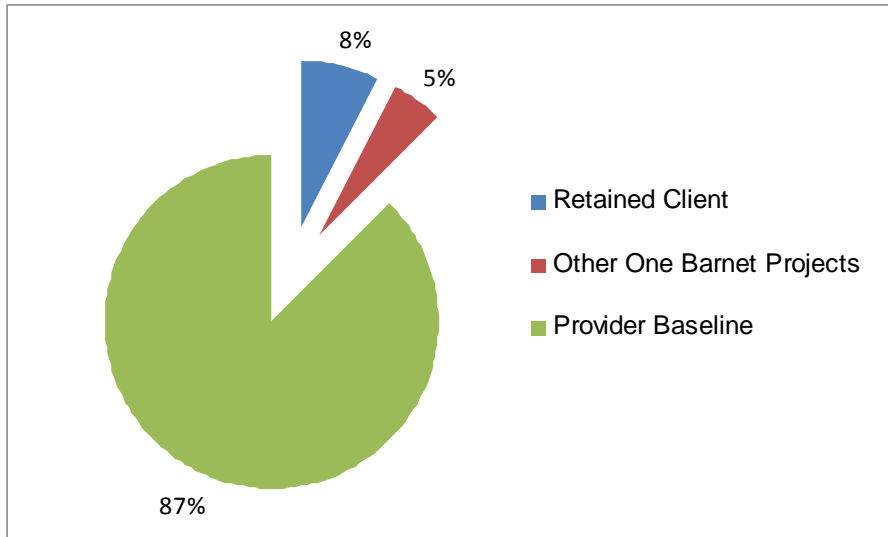
The cost of the service needs to be adjusted to reflect not only the contract value but also the areas of the service that are out of scope.

Service	Gross 11/12 Expenditure £000	One Barnet 2011/12 £000	One Barnet 2012/13 £000	Retained client £000	Revised Expenditure £000
Procurement	1,721	(2)	(7)	(50)	1,663
Customer Services	2,554	0	0	(120)	2,434
Estates	13,016	0	(1,189)	(171)	11,656
Finance	5,949	(37)	(116)	(820)	4,976
Human Resources	4,121	(73)	(167)	(1,086)	2,795
Information Systems	9,718	(441)	(749)	(439)	8,089
Revenues and Benefits	6,882	0	0	(571)	6,311
<b>Total</b>	<b>43,961</b>	<b>(553)</b>	<b>(2,228)</b>	<b>(3,257)</b>	<b>37,923</b>

**Table 2 Establishing the service cost**

In order to facilitate this calculation of the costs of the services, the following assumptions have been made:

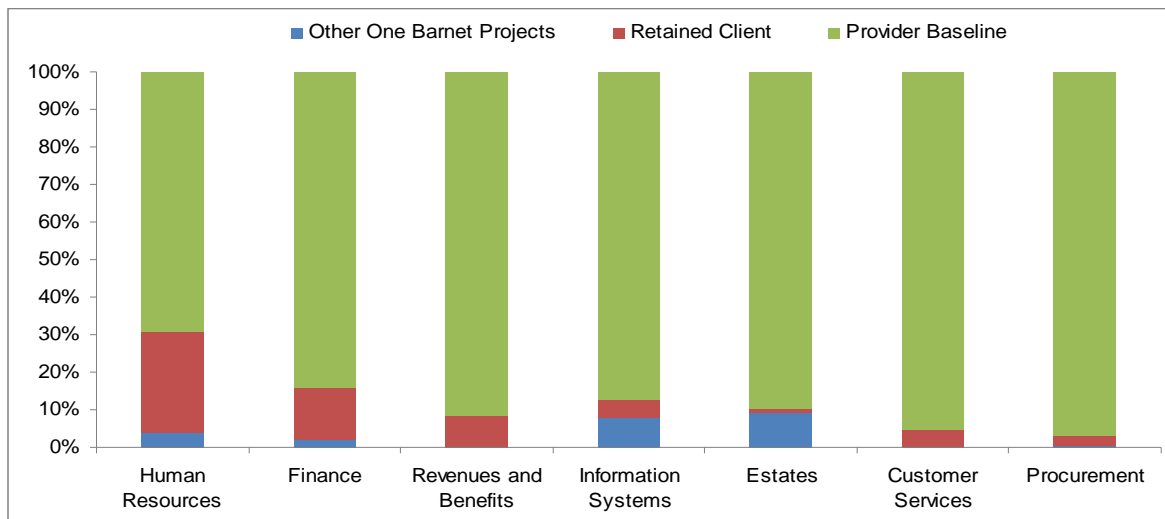
- Cost and FTE associated with New Support Organisation functions that will be transferring with DRS, Adults LATC, Parking and Transport have been deducted from the gross expenditure figure.
  - reduction in costs will be realised in 2011/12 (Year -1) as the Adults LATC is created and the Transport shared service begins.
  - reduction in costs will be realised in 2012/13 (Year 0) as the DRS goes to the new strategic partner and the Parking service is outsourced.
- Each service area has agreed roles or services that will remain in the council post appointment of a partner. These estimates have been used to calculate service costs that have then been deducted from the indicative revised gross provider figure in order to factor in the cost of a retained client function. In total the retained client accounts for 7% of the gross budget as shown in figure 1.



**Figure 1 Elements of base service cost as a whole**

The retained client element of Human Resources will reduce as the One Barnet programme progresses. The funding for a number of posts supporting the One Barnet programme ceases at the end of 2012/13, as a result any projects that continue to require HR support would need to source it from the provider. The whole retained client will reduce to 5% of the gross budget by 2015.

Figure 2 shows the provider baseline, retained client and amounts transferring as part of other One Barnet projects as a percentage of the current base cost for each service.



**Figure 2 Elements of base service cost by service**

## 6.6 Reducing the support costs of the organisation

As this project deals with customer services and support services across the whole organisation, all of the other One Barnet projects are interlinked into this project. One of the major issues to contend with is the fact that the size of the organisation that needs to be supported by these services in 2013/14 is likely to be much different from the organisation that the services support today.

Perhaps the most stark example is in respect of accommodation costs. The three main buildings (Barnet House, NLBP 2 and NLBP 4) cost the council approximately £8m per annum. NLBP accommodates 1400 staff at a cost of £6m per annum. Should the current One Barnet projects have completed by 2013/14, the accommodation requirements for the remaining council staff would be much lower. The break clauses on NLBP 4 is not until 2015, but a significant part of the £8m cost could probably be saved in 2015 by reorganising office accommodation requirements over the coming years.

The council's accommodation strategy is to look to rationalise its accommodation where possible and the space that is retained should be utilised more efficiently. The council will work with potential providers during the procurement process to investigate opportunities for the provider to locate staff in vacant council accommodation.

The council will not, with the exception of the customer service, be requiring external partners identified through other One Barnet projects to use the support service delivered by the provider identified as a result of this procurement. As a result, council IT requirements and support would reduce as a result of the other One Barnet projects. Savings could be made on SAP licences, desktop hardware and software and other IT related costs. There will also be reductions in the finance and HR support that the organisation would require.

This is relevant for two principle reasons for this business case:

- a) The purpose of the procurement of a private sector partner is to generate efficiencies from improvements that cannot be made as quickly or as effectively if the services were retained in house, and this is the main focus of this business case. However, it does not make economic sense to transfer IT and accommodation related costs to a private sector provider for them to make savings that can and will be made by Barnet Council; and
- b) The contract that is developed for the provision of these services needs to be flexible to enable a reduction in the contract price to be realised as a result of a reduction in the size of the retained organisation.

Should this business case be approved, detailed work will be undertaken to map the likely changes in support cost requirements between now and 2015 (particularly IT and accommodation).

## 6.7 Assessing the potential to improve

The business case has identified where potential opportunities for service improvement could be delivered by a strategic partner.

The business case uses a mixture of benchmarking data (where available), feedback from the services and commercial judgement to identify potential for improvement. Two case scenarios have been produced – prudent and optimistic.

Key assumptions:

- the savings analysis is based on savings that can be accrued during the life of the contract. The baseline for the model is based on the as-is staffing and performance level in these service areas - this may change in the next two years (through internal transformation/consolidation), and hence the business case will need to be revised since changes will impact the performance and team size.
- the savings are based on benchmarking key performance indicators with other local authorities and assuming that the procurement partner will be able to improve the performance level and achieve average (prudent improvement) to median/upper quartile performance (optimistic improvement).
- the business case does not show any of the effects of any internal improvement/transformation programme in progress. The business case will need to be updated as the benefits of this work are known.
- the business case includes a year 0 as the contract award is likely to be in the third quarter of 2012/13 and as such the remainder of that financial year will be a period of transition. This also enables the council to synchronise the contract years with the financial year of the council. Any savings shown in year 0 are for 1 quarter only.
- the profile provides an early yet realistic level of benefit realisation to support the council's immediate financial challenges, and supplements this with year-on-year targets for improvement thereafter.
- the benefits shown are net of provider fees and costs.
- the business case does not include the effects of inflation.

The drivers for realising savings have been specified for each service area in the table below – individual service models can be viewed in Appendix B and further detail on how the savings have been estimated are included in Appendix C.

Service	Improvement rationale	Prudent improvement	Optimistic improvement
Human Resources	<p>Savings are expected to come from improvements in processes and standardization, which will in turn improve the ratio of cost of HR function per FTE as well as cost of HR as a percentage of organisational running costs.</p> <p>The service has identified roles that are likely to be subsumed into a provider through economies of scale. In addition a provider will be expected to remove an additional percentage from the running costs.</p> <p>The establishment for the council is expected to reduce over the coming years - and therefore as a more accurate picture of the size and shape of the council emerges the business case should be revisited to include the implications of these changes to support costs.</p>	12%	13%
Finance	<p>Savings are expected to come from improvements in processes and standardisation, which in turn will improve the ratio of cost of function as a percentage of organisational running costs.</p> <p>The service has identified target savings in the costs of processing functions such as purchase to pay; management reporting and income/cashiers functions - demonstrating the interdependencies between finance and areas such as procurement and revenues &amp; benefits.</p> <p>Savings will also come from the consolidation of finance functions/roles across the council.</p> <p>In addition, a provider will be expected to remove an additional percentage from the running costs.</p>	9%	18%

Service	Improvement rationale	Prudent improvement	Optimistic improvement
Customer Services	<p>There are no expected financial savings anticipated from the customer service department in the prudent scenario<sup>8</sup>.</p> <p>The optimistic model assumes some savings in staff costs and supplies as detailed in Appendix B.</p> <p>There are broader 'customer contact' savings to be made across the council – categorised as follows:</p> <ul style="list-style-type: none"> <li>• reduction of customer contact (reducing avoidable/repeat contact)</li> <li>• transfer of customer contact to more efficient channels</li> <li>• efficiency savings will be generated as customer contact functions are consolidated</li> <li>• back office efficiencies as a result of Customer Services improvements</li> <li>• Contact centre operational improvements.</li> </ul> <p>These savings will be considered as part of the Customer Services Transformation project. A separate business case is to be prepared for that project.</p>	0%	15%
Information Systems	<p>The business case details four savings areas<sup>9</sup> (Infrastructure, Organisational, Licensing and Procurement)</p> <p>The optimistic case assumes 100% realisation of these savings. The prudent case assumes 75% realisation.</p>	11%	14%

<sup>8</sup> There are savings to be made from channel shift and reducing customer contact across the council, these savings will be considered in the Customer Services Transformation project

<sup>9</sup> Savings are based on the ICT service analysis carried out by Agilisys

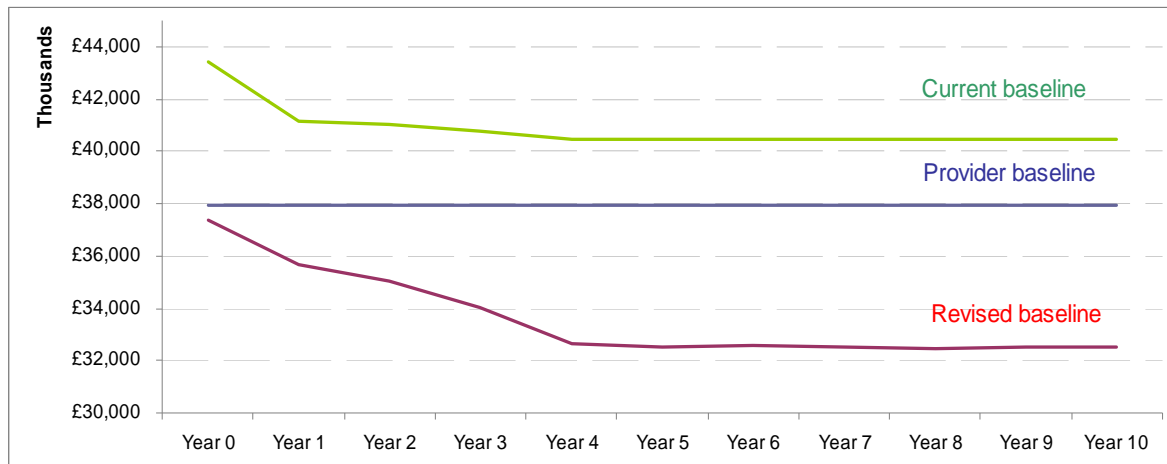
Service	Improvement rationale	Prudent improvement	Optimistic improvement
	<p>Savings are expected to come from economies of scale, improvements in processes, standardisation, virtualisation of infrastructure and organisational redesign, which will in turn reduce the level of staffing required.</p> <p>In addition, a provider will be expected to remove an additional percentage from the running costs.</p> <p>The council should attempt to realise as much of the savings potential as possible before contract otherwise the benefits will be passed directly to the provider.</p> <p>Savings have been reduced between years 6 to 10 to reflect the need for an IT refresh (see Appendix B for details).</p>		
Revenues and Benefits	<p>Savings are expected to come from:</p> <ul style="list-style-type: none"> <li>• economies of scale and virtualisation of teams – a provider will run services for multiple local authorities and be able to better cope with demand peaks and troughs. Officers will not have to be physically located in the authority for which they are processing work.</li> <li>• automation of processes</li> <li>• stream lining of customer contact</li> </ul> <p>Automation and customer contact improvements could include channel transfer of transactions/customer contact to the internet – thereby reducing officer intervention in standard processes.</p>	10%	13%
Estates (including corporate	Savings are expected to come from improvements in processes and standardisation, which in turn will improve the ratio of cost of function as a percentage of organisational running costs.	16%	24%



Service	Improvement rationale	Prudent improvement	Optimistic improvement
programmes)	<p>This business case has estimated a 5% saving on organisation running costs as the driver for savings in the prudent case.</p> <p>For the optimistic case the figure used is 10% as the saving achievable.</p> <p>The model assumes the council will exercise its break clause on NLBP Building 4 in October 2015. The cost of NLBP is £4.5M per annum.</p> <p>There will be a cost to relocate and reconfigure existing/new buildings to accommodate the remaining workforce – which may include the strategic partners for DRS and NSCSO.</p> <p>The prudent business case assumes that after costs the saving will be approximately £830K (5 months of a £2M per year saving) in year 3 (2015/16) and £2M per annum from year 4 (2016/17).</p> <p>The optimistic business case assumes that after costs the saving will be circa £1M (5 months of a £2.5M per year saving) in year 3 (2015/16) and £2.5M per annum from year 4 (2016/17).</p>		
Procurement	<p>Savings are expected to come from improvements in processes and standardisation, which in turn will improve the ratio of cost of the function as a percentage of organisational running costs.</p> <p>Savings should be achieved in 3rd party spend by managing it actively by procurement professionals and through consolidation and pre-established contract arrangements</p> <p>Electronic sourcing of 3rd party spend</p>	6%	22%

**Table 3 Improvement rationale**

The cumulative effects of savings, based on the prudent scenario, delivered through the levers identified in the table above are shown in figure 4.

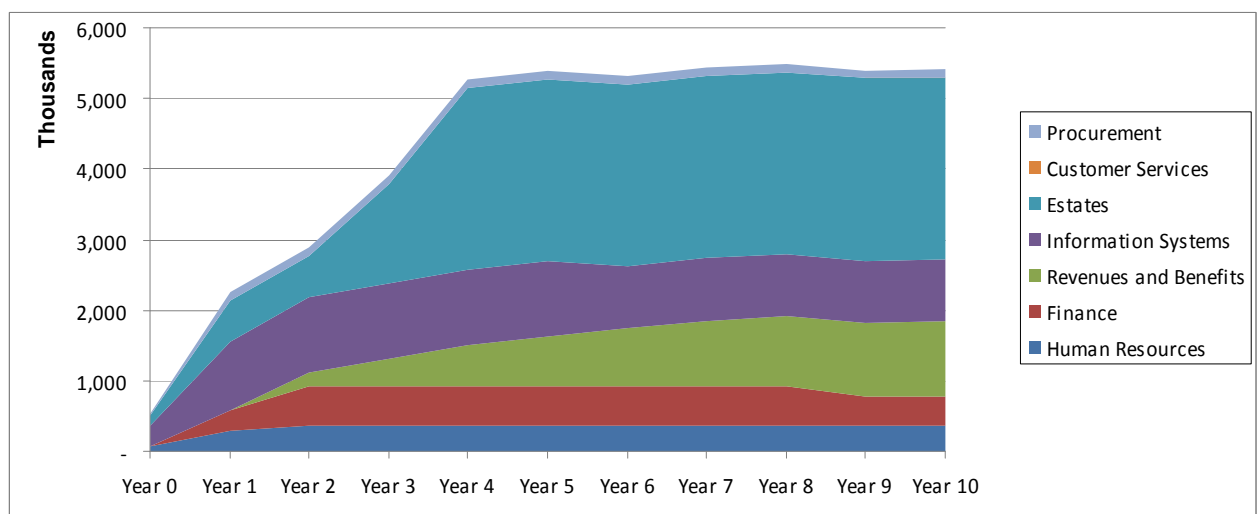


**Figure 3 Potential reduction to cost baseline (Prudent case)**

**Notes**

- a) The figure shows the current baseline reducing as the effects of the other One Barnet projects is felt (DRS, Parking, Adults LATC and Transport).
- b) The provider baseline figure is net of the costs identified above and net of the retained client function.
- c) The revised baseline is the expected ‘price’ that LBB would be paying to a provider to run the NSCSO services.
- d) The gap between the provider baseline and the revised baseline is equivalent to the ‘savings’ the council is aiming for from the appointment of a strategic partner.

Figure 5 shows the annual savings contribution by service.



**Figure 4 Savings contributions by service**

**For information only – figures not included in business case**

Additionally, savings for Procurement can be achieved through a gain/share arrangement with a provider whereby they would be expected to provide a return on the influenceable spend identified by the council.

For the purpose of this exercise an influenceable spend of approximately £160M<sup>10</sup> has been assumed.

Service	Improvement rationale	Prudent improvement	Optimistic improvement
Procurement <sup>11</sup>	<p>Savings are based on reduction in influenceable spend available each year</p> <p>Key drivers are: increasing the proportion of 3rd party spend that is managed actively by procurement professionals, consolidation and pre-established contract arrangements for most 3rd party spend, high proportion of electronic sourcing of 3rd party spend.</p> <p>Savings are driven through level of influenceable spend - hence these are realised through the reduction in spend (financial budgets), and not through FTE or overhead reduction.</p>	1%	3%

<sup>10</sup> £250M (as identified in Tribal report 2009) less £3.5M DRS less £80M Personalised Budgets

<sup>11</sup> Please note the potential savings from a Procurement 'Gain/Share' arrangement are not included in the financial figures.

### 6.8 Change to income

The business case shows income reducing over the 10 year period of the contract. Cost reductions are calculated by evaluating future benefits (delivered by the provider in an outsourced environment) and deducting these from the provider part of service gross budgets. A percentage change in provider gross budget can then be calculated.

The gross budgets include services provided for Barnet Homes, pension administration, schools and the Housing Revenue Account which are either traded or ring-fenced. The amounts identified are shown in the figure 4.

Income	£000
Procurement	11
Customer Services	78
Estates	886
Finance	1,084
Human Resources	1,978
Information Systems	1,687
Revenues and Benefits	-
<b>Total income</b>	<b>5,723</b>

**Figure 5 Income from traded services**

Any reduction in gross budgets through delivering benefits will have a compensating effect on the income received in each of the areas outlined above. This change in income delivers value to our customers.

Figure 7 shows an example of how the ‘change in income’ figures have been derived (proportions are fictitious). Within the model this calculation is made for each year of the analysis and reflects the variable way that benefits are delivered:

*Finance Service (applicable income) £1,057,375 x*

*80% (provider element of gross budget) x*

*5% (% change in provider gross budget in delivering benefits) =*

*Amount by which the income will be reduced*

**Figure 6 Change in income example**

The knock-on cumulative effects on LBB income, based on the prudent scenario, delivered through the levers identified in the table above are shown in figure 8.

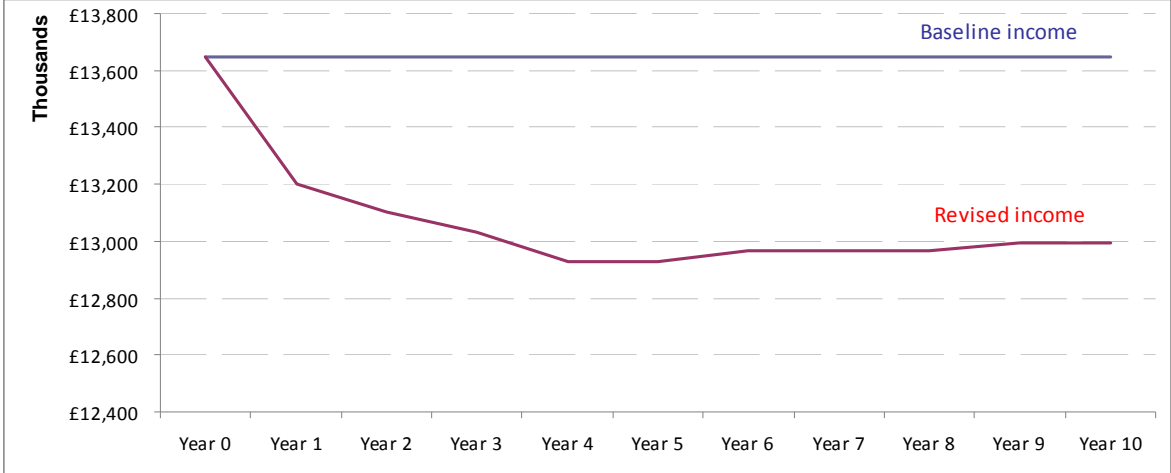


Figure 7 Income reduction

**Notes**

- a) The figure shows the current baseline income as static.
- b) The revised income line is the expected ‘reduction’ in income to the council because of the savings that a provider could deliver.
- c) The gap between the provider baseline and the revised baseline is equivalent to the ‘savings’ that the council could be able to pass on to its partners.

**6.9 Business case overview**

The following tables show the prudent and optimistic business case scenarios for the NCSCO organisation as a whole. Individual prudent and optimistic overviews are included in Appendix C.

New Support & Customer Services Organisation - Business Case Overview (Prudent Scenario)												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	43,408	41,180	41,006	40,769	40,449	40,449	40,449	40,449	40,449	40,449	40,449	449,507
Less OB projects	(2,228)	0	0	0	0	0	0	0	0	0	0	(2,228)
Less Internal Savings	0	(173)	(237)	(320)	0	0	0	0	0	0	0	(731)
Sub-Total	41,180	41,006	40,769	40,449	40,449	40,449	40,449	40,449	40,449	40,449	40,449	446,548
Less retained client	(3,257)	(3,084)	(2,847)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(29,398)
Provider baseline	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	417,150
Indicative cost reduction	(527)	(2,256)	(2,889)	(3,915)	(5,264)	(5,388)	(5,310)	(5,430)	(5,492)	(5,400)	(5,408)	(47,279)
Revised provider baseline (Net of provider fees & costs)	37,396	35,667	35,033	34,008	32,659	32,534	32,613	32,493	32,431	32,523	32,514	369,871
% Change (cost reduction)	1%	6%	8%	10%	14%	14%	14%	14%	14%	14%	14%	11%
Income	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	150,113
Change to Income	0	(444)	(544)	(613)	(718)	(718)	(679)	(680)	(680)	(652)	(652)	(6,378)
Revised Income	13,647	13,203	13,103	13,034	12,929	12,929	12,968	12,967	12,967	12,995	12,995	143,735
% Change (customer value)	0%	3%	4%	4%	5%	5%	5%	5%	5%	5%	5%	4%
Total financial benefit	527	1,812	2,346	3,302	4,546	4,670	4,631	4,750	4,812	4,748	4,757	40,901
Cost of change	(1,967)	0	0	0	0	0	0	0	0	0	0	(1,967)
Net financial benefit (annual)	(1,441)	1,812	2,346	3,302	4,546	4,670	4,631	4,750	4,812	4,748	4,757	38,933

Table 4 Business case overview – Prudent scenario

New Support & Customer Services Organisation - Business Case Overview (Optimistic Scenario)												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	43,408	41,180	41,006	40,769	40,449	40,449	40,449	40,449	40,449	40,449	40,449	449,507
Less OB projects	(2,228)	0	0	0	0	0	0	0	0	0	0	(2,228)
Less Internal Savings	0	(173)	(237)	(320)	0	0	0	0	0	0	0	(731)
Sub-Total	41,180	41,006	40,769	40,449	40,449	40,449	40,449	40,449	40,449	40,449	40,449	446,548
Less retained client	(3,257)	(3,084)	(2,847)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(2,526)	(29,398)
Provider baseline	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	37,923	417,150
Indicative cost reduction	(854)	(3,783)	(4,922)	(6,230)	(8,091)	(8,283)	(8,070)	(8,389)	(8,541)	(8,394)	(8,490)	(74,047)
Revised provider baseline (Net of provider fees & costs)	37,069	34,139	33,001	31,693	29,832	29,639	29,852	29,534	29,382	29,528	29,432	343,103
% Change (cost reduction)	2%	10%	13%	16%	21%	22%	21%	22%	23%	22%	22%	18%
Income	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	13,647	150,113
Change to Income	0	(623)	(780)	(866)	(1,000)	(1,001)	(922)	(929)	(929)	(882)	(882)	(8,814)
Revised Income	13,647	13,024	12,867	12,781	12,647	12,646	12,724	12,718	12,718	12,765	12,765	141,300
% Change (customer value)	0%	5%	6%	6%	7%	7%	7%	7%	7%	6%	6%	6%
Total financial benefit	854	3,160	4,142	5,364	7,091	7,283	7,148	7,460	7,612	7,512	7,608	65,234
Cost of change	(1,967)	0	0	0	0	0	0	0	0	0	0	(1,967)
Net financial benefit (annual)	(1,114)	3,160	4,142	5,364	7,091	7,283	7,148	7,460	7,612	7,512	7,608	63,266

**Table 5 Business case overview - Optimistic scenario**

## 6.10 A summary of the analysis

There are good opportunities for both cost efficiencies to be made and the reduction of costs for traded services (services that are available for schools and Barnet Homes to purchase from the council) across the support services.

Whilst a number of the in-scope services are performing well, others are performing at around the average compared to peers, and all are limited in their ability and / or capacity to achieve the levels of transformation required without further investment. Many of the services would benefit from the introduction of private sector expertise, procedural efficiencies, enhanced IT, and general commercial capability.

Across the services financial benefits range between 6% and 16% (13% to 24% in the optimistic scenario) from the current gross baseline figure. Over a ten year period financial benefits could equate to as much as £38m (£63m in the optimistic scenario), net of the costs of change and those associated with the retained client function(s).

In addition, efficiency savings in the support and customer services will mean these savings can be passed onto Barnet Council's partners (Schools, Barnet Homes, etc) should they continue to buy back support services. This equates to £6M in the prudent and £8M in the optimistic business case.

The prudent business case is in line with the benefits indicated in the One Barnet Framework, but is based on a more robust analysis of both current service costs, and potential future service transformation.

These figures do not reflect potential service level reductions, but it should be noted that this will always be an option for any partnership with regards to non-statutory functions and evidence-based service demand.

## 6.11 Critical success factors

The critical success factors for the New Support and Customer Services Organisation Project are as follows:

- to provide a truly citizen-centred customer service that is easy to access and simple to navigate, and as a result, improve customer satisfaction
- to contribute towards and remain sustainable within the council's MTFS
- to achieve the minimum service levels embedded in the Output Specifications<sup>12</sup> within the timescale set out in their implementation plans
- to achieve agreed delivery cost reductions in line with the benefits case
- to create successful relationships with other departments and providers supporting continuous improvement within the council

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<sup>12</sup> These are detailed documents that will summarise the individual service requirements in terms of outcomes and outputs.



- to meet the council's legal requirements in terms of equalities and health and safety.

## 7 Constraints, Dependencies and Risks

### 7.1 Constraints

Constraint		Mitigating action
Quality	The overall success of the procurement process will be based on the quality of output specifications.	Support and training is being delivered to all those involved in writing and approving the output specifications. External review and challenge will also be provided as part of the approval process.
Scope	Upon issue of the OJEU <sup>13</sup> notice the scope will be constrained to those services listed.	Ensure that scope has been agreed and signed off by senior management prior to the issue.
Time	Authority to proceed at any given stage rests with senior management and/or Members.	The procurement process is required to work within the council democratic framework and careful planning of the process will ensure timelines are not compromised.
Budget	The council has limited funds to deliver this change.	Careful resource planning and budget monitoring by the project team will reduce the risk of any increase in costs.

Table 6 Constraints

### 7.2 Dependencies

Dependencies	Mitigating action
The final scope of affected staff is dependent on the continuing internal transformation and restructures in Finance, IS, HR and Customer Services.	The staff baseline used for financial modelling of the baseline cost of the service will be updated at key points throughout the procurement to reflect the changes taking place.
The final scope of affected staff is dependent on the retained client unit.	The design of the retained client unit will be set out during the procurement process and accordingly the staff baseline will be adjusted and the baseline cost amended in an updated version of the business case.

<sup>13</sup> Official Journal of the European Union, a notice is required to be published for all tenders in excess of £156,000

Dependencies	Mitigating action
The level of support and customer services required by the council from a provider is dependent on service transformation and redesigning service provision being carried out by One Barnet prior to contact signature	At key points during the procurement process the business case will be updated to reflect any changes in requirements and expected changes in the future size of the council.
The extent of contracts that can be novated and therefore reduce the contract management FTE in the retained client unit requires further work and assessment.	This will be investigated as part of the preparation for competitive dialogue and impact will be included in future updates of the business case.

**Table 7 Dependencies**

### 7.3 Key Risks

Risk	Mitigating action
A poorly designed or structured dialogue process leads to the project failing to hit its objectives due to one or more of the following: a lack of a clear strategic direction, inappropriate monitoring arrangements, weak or inappropriate contracts or failure to keep pace with legislative changes.	The dialogue process has clear award or evaluation criteria that will be effectively communicated to the market. The team will include qualified and experienced procurement professionals as well as external legal resource who will work to provide a robust and appropriate contract.
Inadequately designed output specifications could lead to a partner not delivering the expected service. This would leave the council open to increased costs as a result of increased change control orders to ensure all required aspects of services are delivered. It would also lead to a damaged reputation and a likely reduction in satisfaction levels.	The output specifications will be designed and owned by the individual services. To ensure consistency across the specifications service managers will be supported through training and external reviews by the implementation partner and legal partner. Additionally the customer departments will provide a review to ensure the specified service can support the requirements of remaining council departments. Specifications will continue to be refined through the procurement with formal sign off procedure by relevant director.
Possible dip in performance of collection rates of council tax and benefit administration over the period of staff transfer due to uncertainty caused by change. This would impact the income generated from this collection.	The council has accepted that this risk can not be reduced entirely but through the mobilisation and transition plans the level of impact will be mitigated.

Risk	Mitigating action
<p>The current baseline of support staff has allocated a portion of support to other One Barnet projects based on the relevant business cases. These client sizes may change during the independent procurement processes and could increase the cost of support required from this service.</p>	<p>The business case will be updated as appropriate during the procurement process to reflect any changes driven from other One Barnet projects and appropriate revised costs will be calculated and provided to potential bidders.</p>
<p>Changes imposed by central government, such as future government savings targets or funding reductions, or changes to legislation<sup>14</sup> adversely affect the project's ability to deliver its benefits.</p>	<p>The allocated legal resource will monitor legislative changes on an ongoing basis. The council's internal finance department will do the same for savings targets and funding reductions. Significant impacts will be reported to the procurement board in the first instance and escalated to CDG where necessary. Should statutory changes occur during the procurement process these will form part of the dialogue discussions.</p>
<p>Central government funding decreases significantly during the life of the contract.</p>	<p>Any strategic partner will be required to support the council in the delivery of the Medium Term Financial Strategy. Flexibility will be built into the contract to ensure the provider meets the council requirements within the available budget. In practice this will work whereby if our funding levels change, there is an agreed mechanism in the contract for the contractor to respond to the authority with options for reviewing service levels, for example, to fit in with whatever budgetary envelope we have.</p>

**Table 8 Risks**

These risks will be assessed and managed in accordance with the council's risk management methodology.

The governance arrangements and management of risks specifically relating to procurement activity will be determined during the pre-dialogue preparatory work.

The New Support and Customer Services project board and the One Barnet programme board will continue to provide appropriate escalation routes.

<sup>14</sup> Current legislation relating to the delivery of housing benefits service is progressing through Parliament and likely to take effect in 2013

## **8 Procurement and Commercial Approach**

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This section will be updated throughout 2011, once the short-listed bidders are known. It will summarise the results of the commercial negotiations, for example the agreed payment model, gain / profit- share mechanisms, and risk transfer arrangements.

### **8.1 Procurement Strategy**

A procurement strategy is currently being developed for those procurements taking place under the One Barnet Programme. This document will set out key requirements, strategic considerations, and the likely sequencing of concurrent One Barnet procurement activities. Core procurement roles and governance arrangements including a code of practice will also form part of this document.

It is important to note that there are risks associated with procuring and delivering services through an outsourced model (as set out in 6.3) and the council will need to initiate any procurement activity with due regard for these risks. In order to mitigate them the council will use the knowledge and experience of its implementation partner to assist in the development of output specifications that minimise these risks. It is also important that the contractual relationship between any potential provider(s) has review opportunities embedded within it, to ensure that with the passage of time, the relationship is still one that is effective for all parties. Whilst the council will clearly be entering into any long-term contractual relationship on the basis that it will run to the full term of the contract, it will need to ensure that an exit strategy is included within the contract documentation.

The council will ensure that the OJEU notice allows for both public sector and third sector partners to utilise the agreed service delivery model and services available. The lead contracting partner will remain the council and partners will be able to access the contract through the council.

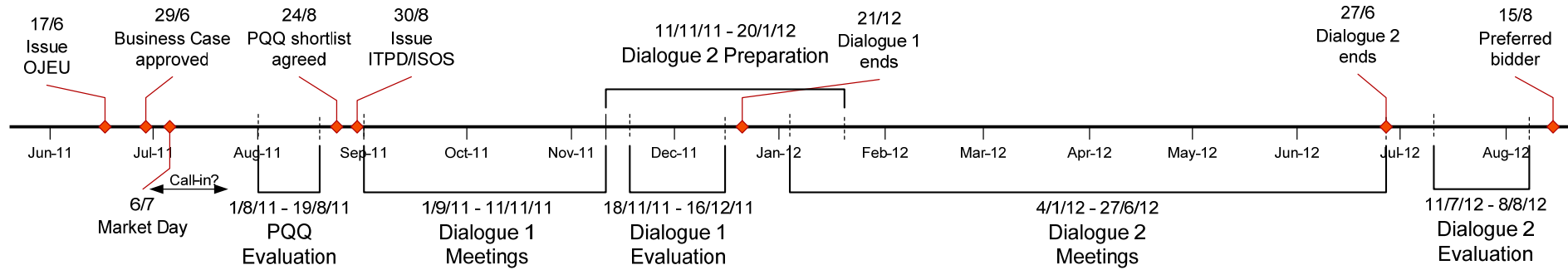
For indicative timescales associated with the New Support and Customer Services procurement activity, please see the section below.

### **8.2 Project Plan Summary**

As indicated in the options appraisal, for a procurement of this nature, the council will need to follow normal European procurement rules – an OJEU process. In order to give the council the best opportunity to shape the final scope of services during the procurement, a competitive dialogue route is considered the most appropriate.

Assuming that the council decides to move forward as outlined in this business case, the following programme offers a realistic timetable to pursue:

## New Support and Customer Service Procurement Timeline



### **8.3 Output Based Specifications**

These detailed documents will summarise the individual service requirements in terms of outcomes and outputs. They are scheduled to be completed in quarter two of 2011, and will ultimately be provided to short-listed bidders at the point of inviting them to participate in dialogue. Typical content includes:

- service introduction
- definitions / service terminology
- scope (function list)
- detailed service requirements (including service levels and KPIs)
- a list of office sites / service provision hubs.

### **8.4 Payment Mechanisms**

Whilst the development of these will form a key part of the competitive dialogue activity, the following elements should be considered in order to maximise the potential of the partnership:

- fixed and variable price elements
- clear links to the achievement of agreed performance indicators
- gain-share for increased level of savings
- income-share where the services are delivered to other public and third sector partners.

### **8.5 Risk Allocation and Transfer**

The ultimate aim is to secure significant risk transfer to the provider, and where this is not possible, have a clear understanding of ownership and management arrangements (subject to achieving value-for-money).

This section of the Business Case will need to be updated at appropriate points in time, but particularly throughout the procurement phase, as it will need to reflect proposed provider arrangements.

### **8.6 Contract Length**

Based on feedback from the providers during the soft market testing activity, and general knowledge from within the sector, it is recommended that the contract is let for a period of 10 years, and if possible, that it incorporates a time-limited extension (subject to the satisfaction of both parties).

The specifics of this section will be subject to discussion and agreement during the competitive dialogue activity. However, taking into account the nature of the services,

and the intention to aim for transformed services that deliver tangible cost reductions and increases in income, key considerations include the following:

- ensure that the contract incorporates a risk / reward mechanism that aligns the partner’s strategic interests with those of the council
- ensure that the benefits are advantageous to each party and shared appropriately
- establish strong partnership governance structure, with sufficiently senior management involvement
- co-locate client and supplier management teams as soon as possible following contract award, and task this joint management team with transition planning.

**Project Roles**

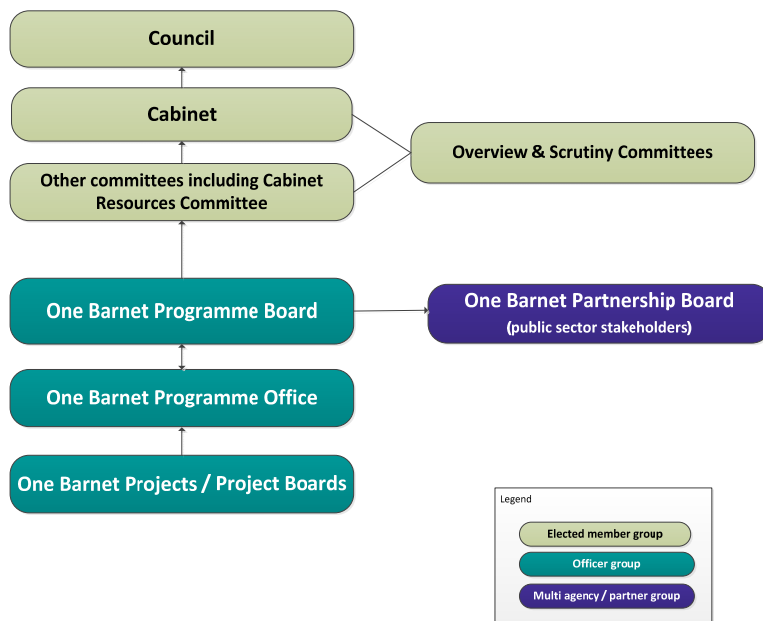
As outlined in the New Support and Customer Service Project Initiation Document (PID) key personnel and their roles on the project are shown below:

<b>Role</b>	<b>Resource</b>
Project Sponsor (Project Board member)	Andrew Travers
Service Lead (Project Board member)	Kari Manovitch
Programme Manager (Project Board member)	Claire Johnston
One Barnet Lead Director (Project Board member)	Craig Cooper
Project Manager	Suzanne Hope
Finance Lead (Project Board member)	John Hooton
HR Business Partner (Project Board member)	Jennifer Burt
Senior Service User (Project Board member)	Val White
Customer Service Transformation Sponsor (Project Board member)	Zina Etheridge
Procurement Advisor	Nasreen Tayab
Commercial Lead (Project Board member)	Chris Malyon
Communications & Engagement	Andrew McLauchlan

**Table 9 Project roles**

The agreed programme governance arrangements for One Barnet are reflected below. This provides a streamlined structure for decision-making and issue escalation.





**Figure 8 Governance structure**

## 8.7 Contract Management

The arrangements for contract management will not be exclusive to the New Support and Customer Services Project, and as such, need to be considered as part of wider One Barnet Programme activity. The council’s intention to move to a strategic commissioning model dictates that strong performance management and governance of service deliverers and commissioners take place at different levels. Most important for New Support and Customer Service Organisation are the relationships at the interface between the “customer” and “provider” roles. Performance management will need to focus on success in delivering outcomes, and move away from current approaches where many performance indicators measure outputs as proxies for outcomes.

Further consideration will need to be given to how continuity will be ensured between those involved in developing the contract and those who will subsequently be responsible for its management. Further details will be provided in a later iteration of this business case.

## 8.8 Risk Management Strategy

As outlined in the New Support and Customer Service PID, project and procurement risks will be managed in line with the council’s Corporate Risk Management Strategy and Project Management Toolkit.

## 8.9 Personnel Issues

As a result of these proposals, regardless of the agreed final scope, a number of Council employees would transfer to an external strategic partner under these proposals. The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) apply to what are known as “relevant transfers” which may occur in a

wide range of situations. The two broad categories are business transfers and service provisions changes, and the New Support and Customer Service project falls into the latter category.

Indicative tasks and activities associated with TUPE arrangements have been provided by the One Barnet HR Business Partner as shown below. These will need to be revisited at appropriate points in time, in line with wider One Barnet requirements.

Component	Activities
HR Business Partner	<ul style="list-style-type: none"> <li>• Management support</li> <li>• Consultation with TU &amp; employees</li> <li>• Staff briefings</li> <li>• Project planning</li> <li>• Project meetings</li> <li>• Reporting &amp; subsequent analysis of data</li> <li>• Pensions road-shows</li> <li>• Provider liaison</li> </ul>
HR Administration	<ul style="list-style-type: none"> <li>• Administrative support</li> <li>• Report extraction &amp; queries</li> <li>• Letter to employees -supplier award and pre-transfer</li> <li>• Confirmation of pensions &amp; payroll transfer</li> <li>• Interaction with payroll</li> <li>• Follow full leavers process</li> <li>• Data cleanse</li> </ul>
Payroll	<ul style="list-style-type: none"> <li>• Administration support</li> <li>• Report extraction</li> <li>• P45 initiation &amp; exchange with supplier</li> <li>• Provision of tax codes</li> <li>• Interaction with new supplier &amp; exchange of data</li> </ul>
Communication	<ul style="list-style-type: none"> <li>• Meeting with &amp; supporting line &amp; project managers</li> <li>• Drafting, copying, printing, &amp; distributing materials</li> <li>• Intranet changes</li> <li>• Advising on presentation content</li> </ul>
Management time	<ul style="list-style-type: none"> <li>• Consulting with employees, TU, groups &amp; 1:1,</li> <li>• Preparing for transfers (structures, timesheets &amp; role analysis)</li> <li>• Presentation writing for consultations,</li> <li>• Consultations with groups &amp; 1:1,</li> <li>• Supporting meetings with HR / PM's, (employee &amp; TU)</li> </ul>
Employee time	<ul style="list-style-type: none"> <li>• Consultations (group &amp; 1:1)</li> <li>• TU meetings</li> </ul>
Project Manager	<ul style="list-style-type: none"> <li>• Report, presentation and authorisation writing</li> </ul>
Legal	<ul style="list-style-type: none"> <li>• Advice on contract wording</li> </ul>

Component	Activities
	<ul style="list-style-type: none"> <li>• Ad-hoc queries on specific issues</li> </ul>
Pension notification	<ul style="list-style-type: none"> <li>• Actuaries to quote &amp; complete estimations for all transferring employees on pensions including transfer information for new provider</li> </ul>
Internal Pensions support	<ul style="list-style-type: none"> <li>• Conversing with actuaries and external provider</li> <li>• Contributing to letters to employees</li> <li>• Partaking in pension road-shows during consultation period</li> </ul>
Authorisation & committee costs	<ul style="list-style-type: none"> <li>• Facilitation of DPR , GFC, CDG, Cabinet &amp; Scrutiny processes</li> </ul>
Employee support	<ul style="list-style-type: none"> <li>• Hosting of “Managing Stress” workshops</li> </ul>

**Table 10 HR activities**

TUPE is a complex area so it is recommended that appropriate legal advice is specifically sought for the New Support and Customer Service project. Where a business, or part of one, is being transferred, both parties (that is the transferor and the transferee) should seek such advice at the earliest possible stage. It is not possible to prevent TUPE applying, as the law prevents employers and employees from “contracting out of” the effects of TUPE. However, it is common practice for old and new employers to negotiate on how to divide any liabilities which arise by including indemnities in the agreement. The key to successful TUPE transfers lies in good planning, and this will include identifying key risks at an early stage and holding a genuine dialogue with employees.

Trade Union discussions have been, and will be, conducted in line with wider One Barnet programme activity.

## 8.10 Equalities

The council has a strong commitment to making equalities and diversity integral to everything it does. It has adopted a model that recognises that people are often disabled by their environment and other people’s attitudes.

It is recognised that such a significant transformation of the services within scope is likely to have an impact upon staff and other stakeholders. 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 2011-12 Corporate Plan and work will be undertaken towards this end.

As part of the council’s commitment to promoting equalities, the New Support and Customer Service project will carry out equalities impact assessments on both staff and customers which will gather information about any differential impacts, potential or perceived impacts on different groups, including all of those groups covered by the Equality Act 2010. Members will be able to use this information to support them in having due regard to their duties under the Act. These considerations will provide fact-specific information as well as assessing the impact of those facts on different groups of people including disabled people in Barnet.

The programme has been explicit in how it will support the council in meeting its statutory obligations under the Equality Act 2010 by using equality assessments to demonstrate that 'due regard' has been taken to support members in making informed decision.

The council's equalities policy will also be followed in the management of the procurement process, including evaluation of tenderers' equalities and diversity policies concerning employment practice and service delivery. Any eventual contract will include explicit requirements fully covering the council's duties under equalities legislation.

## **8.11 Health and Safety**

Health and safety is an integral part of the council's responsibility to its citizens, employees and service users. Through the procurement of services the council will endeavour to ensure that workers and the public are properly protected. The council retains responsibility for third parties to carry out their responsibilities on their behalf. It is not possible to discharge these responsibilities in regards to section 3 of the Health & Safety at Work etc Act 1974.

The council will do this by forming a framework with the successful strategic partner to ensure compliance with all legislative requirements and standards. There is the expectation to form a common set of standards and expected activity. Prior to this and throughout the procurement process the council will be assessing all bidders to ensure they hold the required knowledge, competencies and skills to maintain and develop the council's Health & Safety strategy in relation to the contract.

The council as a commissioning body will monitor the contract, audit the provider, and work together with the provider to assess risk and review processes and procedures. The provider will be regularly assessed against key performance indicators in health and safety this is to ensure that the provider meets the appropriate standards and regulatory requirements.

# Appendix A: Existing Delivery Arrangements

## Procurement

Procurement represents a significant opportunity for the council to achieve cost reductions through improved management of its £250M third party expenditure.

The council currently operates a procurement service that is largely devolved within service areas. Processes are being made more robust and the council is introducing extended use of electronic means of supporting the procurement activity.

There are a number of key milestones in this transformation journey, most of which should have occurred before the service is transferred to a strategic partner.

Following this transformation the procurement activity within the council will:

- be recognised as pivotal to business success and matches the standards of the service and organisation it supports
- identify and realise significant, sustainable cost reduction opportunities
- will robustly performance and contract manage provider relationships
- actively contribute to the achievement of the council’s strategic objectives.

Updated key facts:

Service Area	Procurement
2011-12 Employees <sup>15</sup>	27
2011-12 Budget – Gross	£1,721,000
2011-12 Income	£32,000
2011-12 Budget – Net (Gross budget – Income)	£1,688,000

Primary functions for the service are as follows:

- contract administration
- general procurement
- complex procurement
- central purchasing.

Approximate annual volumetrics for the service are as follows:

<sup>15</sup> This reflects the number of FTE in-scope for the purposes of the New Support and Customer Services Project and include the devolved procurement staff

- influenceable spend of £250M
- approximately 5000 vendors used by the council
- approximately 66,000 invoices per annum
- 180 vendors is equivalent to 3.4% of the supplier volume and represents over 80% of the total spend
- 20 vendors account for 46% of the total spend but only 6% of the total invoice volume
- 20 producers of invoices represent 30% of the total volume but account for under 8% of the spend.

## Customer Services

The customer service team currently covers initial contact of six areas of planning, building control, street scene, parking, children's information service, assisted travel, the council switchboard and two face to face customer access points at Burnt Oak and Barnet House and council reception at the North London Business Park.

The areas of contact cover planning enforcement, noise nuisance, miscellaneous environmental health queries, requests for recycling boxes and green waste bins, reporting fly-tipping and pavements damage, renewing parking permits, appealing penalty charge notices and related parking payments, enquiries related to school admissions, pre-schools, family support and tax credit and blue badges and freedom pass applications.

A transformation of customer services will be carried out throughout the life of the procurement of a strategic partner. The aim of the transformation is to promote channel shift and to widen the scope of customer services to become the first point of contact for all service areas. As the transformation progresses it is likely to result in an increase in the scope of services covered and as such the budget figures will change. Other One Barnet projects may also impact on the scope of services. As these changes occur the business case will be updated accordingly.

It is expected that through further service developments that a provider can bring that they will deliver an element of customer insight to the council. This insight will be supplementary to an insight team that will remain part of the council commissioning body.

Updated key facts:

Service Area	Customer Services
2011-12 Employees <sup>16</sup>	58
2011-12 Budget – Gross	£2,554,000
2011-12 Income	£170,000
2011-12 Budget – Net (Gross budget – Income)	£2,384,000

Primary functions for the service are as follows:

- face to face customer contact
- customer complaints
- management of the web
- telephony customer contact
- information capture of all customer contact.

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<sup>16</sup> This reflects the number of FTE in-scope for the purposes of the New Support and Customer Services Project

Approximate annual volumetrics for the service are as follows:

- 2,574,070 telephony contacts
- 282,985 email contacts
- 353,462 postal contacts
- 145,931 web contacts
- 50,975 face to face contacts across two locations
- 16% average call abandoned rate
- 10% line busy rate across all services.

Further information regarding the service can be found in the Options Appraisal. The full set of functions undertaken by the service are considered in-scope for the purposes of this project.



## Estates

The Estates Service was formed in May 2010 by amalgamating three service areas (facilities, property and building services) which had operated independently of each other within different services in the council.

The main focus of the Estates team is the management of assets owned and controlled by the council for the benefit of the citizens of Barnet. The activities carried out to deliver this are grouped into four main areas: Property valuation and management, Facilities management (public offices and civic buildings), Building Services, Print management and distribution all carried out within statutory requirements and aligned with corporate priorities.

The service aims to deliver excellent customer service in the provision of advice to our internal and external stakeholders, professional property management and support in the care and maintenance of the built estate. The service aims to meet and exceed expectations in the provision of suitable and efficient places to work which are both compliant and secure.

The service aims to continuously drive down the costs of managing and maintaining the estate and ensure that assets are utilised fully and opportunities taken to release surplus assets.

Updated key facts:

Service Area	Estates
2011-12 Employees <sup>17</sup>	74
2011-12 Budget – Gross	£13,016,000
2011-12 Income	£5,941,000
2011-12 Budget – Net (Gross budget – Income)	£5,704,710

Primary functions broken down across the three service areas as follows:

### Facilities, Print and Document Management

- contract performance
- security services and protection
- facilities management support
- print
- civic duties and events management
- cleaning and grounds maintenance
- mail room.

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<sup>17</sup> This reflects the number of FTE in-scope for the purposes of the New Support and Customer Services Project

## Building Services

- Asset management
  - compliance
  - cyclical management
  - data management
  - support and advice.
- Capital programmes
  - develop capital maintenance programme
  - project management
  - implement improvement projects
  - procure projects
  - monitor project delivery and performance.
- Energy management
  - monitoring and targeting
  - energy procurement
  - support, advice and investigate
  - compliance
  - BEMS
  - energy certification.

## Functions within Building Services that are traded to schools:

- cyclical maintenance
- responsive maintenance
- general advice
- building projects
- energy and sustainability.

## Property Services

- commercial portfolio
- corporate portfolio
- disposals
- regeneration
- asset register
- valuations
- preparation of plans
- instructions for 3rd parties
- budget monitoring.

## Approximate volumetrics for the service are as follows:

- 800 live cases at any one point covering requests for advice, new lettings, acquisitions, disposals, rent reviews, licences, and valuations

- 573 operational, community and commercial properties (excluding parks and open spaces, council housing, leased in and other associated assets)
- 155 operational buildings have either electrical, legionella, fire protection or mechanical tests annually
- 5 new wiring systems , 5 new boiler systems, 8 new roofs and 4 new kitchen upgrades on average for schools
- 8,752,044 prints across all print machines (excluding internal units)
- 46,000 sq metres of administrative buildings and libraries cleaned and serviced across the year
- 750 public and governance meetings managed, serviced and supported by facilities linked to the democratic process.

The full set of functions undertaken by the service are considered in-scope for the purposes of this project.

## Finance

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 elements of finance being delivered by devolved units within services. It is expected that prior to transfer to a strategic provider these teams will have become part of the centralised service.

The service seeks to provide a strong finance function that is innovative, proactive, flexible and responsive and is an enabler for the rest of the organisation to deliver its strategic priorities. The service aims to continuously provide high quality assurance and facilitate dynamic risk management arrangements.

The service, under the direction of the S151 Officer, has responsibility for corporate delivery of the financial and business planning process together with the Strategic Finance Services. The service works with all service areas to improve the quality of financial information for decision making and the delivery of the Medium Term Financial Strategy (MTFS).

Updated key facts:

Service Area	Finance
2011-12 Employees <sup>18</sup>	145
2011-12 Budget – Gross	£5,949,000
2011-12 Income	£1,121,000
2011-12 Budget – Net (Gross budget – Income)	£4,828,000

Primary functions for the service are as follows:

- financial planning & strategy
- strategic projects
- budget setting
- budget monitoring
- costing / modelling / options appraisal
- financial advice
- corporate reporting
- accounts closure
- risk management
- financial administration
- VAT accounting

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<sup>18</sup> This reflects the number of FTE in-scope for the purposes of the New Support and Customer Services Project

- treasury management
- invoice processing
- Pension Fund Investment and Accounting
- cashiers
- income (Accounts Receivable)
- payments (Accounts Payable)
- security collections
- systems accounting

Functions within Finance that are traded to schools:

- helpdesk and finance training
- basic accounts
- accountancy service
- budget review and monitoring
- school business manager service
- financial administration
- finance support visits
- budget preparation/monitoring
- setting up financial systems and other services
- recruitment and selection for finance-related posts
- school based induction training and workshops
- attendance at meetings of governors
- budget preparation workshops.

Approximate volumetrics for the service are as follows:

- 51.7% of professionally qualified staff
- 42 days to submission of Final Accounts to External Auditors
- cost of Accounts Payable per accounts payable invoice processed - £1.44
- savings of £53.4m to be delivered over 3 years 2011/12- 2013/14
- capital Financing Requirement 2011/12 of £271.3m rising to 2013/14 of £388.6m
- over 95% payments made within 10 days
- over 95% payments made within 30 days.

Further information regarding the service can be found in the Options Appraisal.

With the exception of internal audit all functions undertaken by the service are considered in-scope for the purposes of this project, but, as a result of the competitive dialogue, may not be included in the final scope of the services included in any agreement.

## Human Resources

Human Resources supports over 20,000 employees and pensioners as well as providing assistance to a number of primary and secondary schools in the borough who chose to purchase services through the traded services offer. Human Resources also includes the delivery of health and safety across the council, including all community schools.

The service was restructured in early 2010 to a new operating model based on a service centred approach, aiming to deal with 75% of enquiries at the first-level and directing the more complex and specialist enquiries to specialist teams. All staff have been centralised into this new service.

Human Resources aim to provide a professional HR service for the council and its employees, and develop human resource strategies which are attractive in recruiting and developing a high quality workforce.

The service also operates on a commercial basis offering HR services; to schools, an Arms Length Organisation, and also acts as an umbrella body for the Criminal Records Bureau.

The function provides a full range of professional HR services; customer contact centre for first level queries, administration, payroll, pension administration, recruitment and resourcing, employee relationships, industrial relations, strategic account management (business partner model), health & safety including occupational health, strategic lead and implementer for reward, employee performance management, and employment policies.

Updated key facts:

Service Area	Human Resources
2011-12 Employees <sup>19</sup>	81
2011-12 Budget – Gross	£4,121,000
2011-12 Income	£2,371,000
2011-12 Budget – Net (Gross budget – Income)	£1,750,000

Primary functions for the service are as follows:

- contact centre
- recruitment and compliance
- employee services
- pay and reward
- pay and data

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<sup>19</sup> This reflects the number of FTE in-scope for the purposes of the New Support and Customer Services Project

- pensions
- recruitment and resourcing
- service development
- safety, health and wellbeing
- employee relations
- business partners and employee engagement
- reward
- policy
- strategic data
- performance management
- equalities.

Functions within Human Resources that are traded to schools:

- recruitment, pre-employment checks, issuing of contracts of employment and contractual changes
- payroll processing service
- comprehensive change management advice
- comprehensive employment relations advice and support
- teacher's pensions administration service.

Approximate volumetrics for the service are as follows:

- 52,893 payroll transactions processed per annum
- 42,927 contact calls and cases managed by HR Connect
- 1,999 new starters processed per annum
- 2,538 leavers processed per annum
- 14,651 changes processed per annum
- 7,220 pensioners managed per annum
- 13,570 employees paid and payrolls managed
- 860 vacancies advertised internally and externally
- 227 schools employee relations cases per annum
- 227 schools long term sickness absence cases handled per annum
- 504 non schools employee relations cases handled per annum
- 254 non schools long term sickness absence cases handled per annum
- 480 health and safety monitoring inspections carried out per annum (includes audits, inspections, accident/incident/WR ill health investigations)
- 552 mediation and counselling sessions per annum
- 60 sickness support cases per annum

Further information regarding the service can be found in the Options Appraisal.

The full set of functions undertaken by the service are considered in-scope for the purposes of this project, but, as a result of the competitive dialogue, may not be included in the final scope of the services included in any agreement.

## Information Systems

Information Systems (IS) provides a range of infrastructure, support and development services across the council, in addition to providing support to all capital projects with a technology component.

The strategic aims of the service are

- to transform and refresh IT infrastructure to the latest versions of hardware and software, to enhance functionality and management of information which will ultimately provide better service to the residents of Barnet
- move IT services, where practical, to a modern cloud-based service, to reduce total cost of ownership and improve efficiency and provide business continuity
- further improve mobility, flexibility and collaborative working between officers, partner organisations and their customers
- provide IT systems and integration to deliver citizens with a secure web-based one-stop shop for accessing their council services.

There are three main components to the service:

**Infrastructure** – supporting the council's network of data centres, computers, telephones and printers. Over recent years this has been extended to enable staff to work more flexibly and efficiently using wireless networks in the main council offices and secure remote access from non-council locations. The infrastructure function is also responsible for security measures such as anti-virus software and internet filtering, testing to ensure that network cannot be compromised, and ensuring that the network is compliant with Government standards that allow the council to securely share data with other public sector bodies.

**Business Systems** - the council's core business system is SAP, a single integrated system supporting financial accounting, procurement, human resources, asset maintenance and customer relationship management. The SAP system is provided through a contract with Logica who host and maintain the service, together with IS staff who provide user support and administration.

There are a number of other systems that support specific council services where IS provides support and in most cases manages system maintenance and administration in conjunction with external software suppliers and service providers.

**Service Desk and Systems Support** - The service desk is the first point of contact for all staff who require support with IT equipment or business systems. The service desk works closely with systems support engineers who handle the more complex requests and faults. Systems Support staff are also responsible for ensuring that equipment provided to staff conforms to the council's information security policies.



Updated key facts:

<b>Service Area</b>	<b>Information Systems</b>
2011-12 Employees <sup>20</sup>	76
2011-12 Budget – Gross	£9,718,000
2011-12 Income	£2,314,000
2011-12 Budget – Net (Gross budget – Income)	£7,404,000

Primary functions for the service are as follows:

- network
- infrastructure
- printing and file services
- telephony
- application support
- communication
- supported desktop applications
- account management
- desktop support
- supported client equipment
- member support
- service desk
- account maintenance
- master data setup
- training
- process support
- IS procurement
- commissioning
- service management
- vendor management
- project management (plus project support on implementations)
- web services
- out-of-hours support
- reporting
- library it provision

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<sup>20</sup> This reflects the number of FTE in-scope for the purposes of the New Support and Customer Services Project

- disaster recovery.

Functions within Information Services that are traded to schools:

- essential repair and maintenance service for school ICT hardware
- support for the RM School Management Solutions administrative environments
- portable electrical appliance testing
- an essential repair and maintenance service for school ICT hardware
- support for RM school management solutions administrative environments
- support for curriculum networks
- MLE (managed learning environment)
- repair and maintenance of AV equipment
- portable electrical appliance testing
- procurement advice and guidance.

Approximate volumetrics for the service are as follows:

- 4500 service users (this includes non council staff such as Barnet Homes)
- 179 service applications registered in the service catalogue
- 300 servers supported
- 76 council sites supported (including libraries)
- 3505 items of hardware attached to the council network at any one point
- 5000 service desk contacts per month

Further information regarding the service can be found in the Options Appraisal. The full set of functions undertaken by the service are considered in-scope for the purposes of this project.

## 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.

The average processing time for new Benefits claimants is very low (5<sup>th</sup> lowest in London, CIPFA), which is a very good performance and this is improving year on year.

Performance regarding timely payment of Rent Allowance is, according to CIPFA data, lower than comparators; however this is a conscious level of performance that is viewed as acceptable.

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.

Revenues and Benefits are statutory functions and include collecting/processing Council Tax, Business Rates and administering all aspects of Housing and Council Tax Benefit. The next major challenge will be to successfully transition the Housing and Council Tax Benefit functions as required by the evolving Welfare Reform legislation.

The revenues service (council tax) is a medium performer in London. The collection rate is 12<sup>th</sup> out of 33 boroughs in London.  
(<http://www.communities.gov.uk/publications/corporate/statistics/1620336>)

Updated key facts:

Service Area	Registration & Nationality
2011-12 Employees <sup>21</sup>	162
2011-12 Budget – Gross	£6,882,000
2011-12 Income	£1,697,000
2011-12 Budget – Net (Gross budget – Income)	£5,185,000

Primary functions for the service are as follows:

- council tax administration

<sup>21</sup> This reflects the number of FTE in-scope for the purposes of the New Support and Customer Services Project

- council tax collection
- council tax recovery
- National Non-Domestic Rates (NNDR) administration
- National Non-Domestic Rates (NNDR) collection
- National Non-Domestic Rates (NNDR) recovery
- housing benefit administration
- council tax benefit administration
- housing benefit overpayment administration and recovery

Approximate annual volumetrics for the service are as follows:

- 138,000 properties registered on the Council Tax database
- 8,000 NNDR registered properties
- 33,000 live benefit claims in payment
- £250,000,000 pa (gross) raised through Council Tax collection
- £100,000,000 pa (gross) raised through NNDR collection
- £230,000,000 pa paid out in benefits
- 1000 customer refunds per month

Further information regarding the service can be found in the Options Appraisal. The full set of functions undertaken by the service are considered in-scope for the purposes of this project, however, this is currently subject to legal advice. The outcome of this legal review may result in certain functions having to remain within the council

# Appendix B: Improvement potential

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## Human Resources

Savings in HR are expected to come from economies of scale brought by a provider. The HR service has identified the following areas where a provider will choose to consolidate roles:

- HR customer contact
- Employee services
- Recruitment and compliance
- Pay and reward
- Pensions
- Pay and data
- Employee relations

The roles identified equate to £300,540 which equates to approximately 8FTE.

### ***HR - Prudent***

The prudent business case assumes these savings are taken from the start of contract and shows 3 months worth of these savings in Year 0. Full year savings are taken from year 2 onwards.

In addition, the provider is expected to deliver an additional 2% saving on the baseline between years 2 and 8.

### ***HR - Optimistic***

The optimistic business case assumes the savings shown in the prudent case in year 0 can be increased by 25%.

In addition the provider is expected to deliver an additional 10% (over the prudent case) saving on the baseline between years 2 and 8.

**Finance**

Available levers for procurement savings:

- Target savings in cost of processing functions such as purchase to pay; management reporting and income/cashiers functions
- Process efficiencies
- Consolidation of finance functions/roles across the council

Areas that a provider will improve include:

- a) purchase to pay cycle – the ideal process for this is to have all invoices scanned at point of receipt (centrally) rather than going round different departments for approval. These can then be automatically matched to purchase orders (which need to be enforced by the procurement team) which means the paper trail of invoices going round the organisation for approval doesn't need to happen. Even if manager approval is needed (if there is no purchase order) this can be done online rather than on paper. This cuts out the need for a lot of the admin/finance resources that currently sit in departments.
- b) automation of production of monitoring reports (this is the development of something like the BPC module in SAP) – there are currently 20/25 (including trainees and rotational staff) people in departmental finance teams (excl. schools) involved in the budget monitoring process. The majority of this department are involved in modelling, analysing and challenging the information to ensure that it is robust, accurate and realistic. However by automating this process savings could be achieved in the services directorates (devolved Finance functions that are yet to be centralised) . This would leave less finance resource in service directorate finance teams.
- c) income team (cashiers and income collection). Providers would look to consolidate these teams – certainly the income collection staff – into revenues and benefits – and make savings on the basis that there would only be one income collection process. This would probably also capture departmental staff who currently chase debts – these would need to be consolidated to make savings.

In addition to these savings a provider will be expected to remove additional savings from the baseline cost. These savings are not shown in the business case in years 9 and 10 to take into account the costs that the council will incur extending/re-procuring the contract. Summary of savings used in business case:

Savings area	FTE	Avg cost	Prudent	Optimistic	Time frame
Purchase to pay	35	36,000	10%	20%	From year 2
Automation of report production	25	45,000	10%	20%	From year 1
Income team	14	35,000	5 FTE	10 FTE	From year 1
Additonal baseline saving			3%	5%	Years 2-8

**Figure 9 Finance savings**

## Customer Services

The savings for customer services are shown only in the optimistic business case. The savings shown in the table below fall into 2 areas:

- staff costs (10% in years 2, 4 and 7); and
- supplies (3% annually between years 1 and 7).

Customer Services - Optimistic savings potential												
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total (cumulative)
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	£000
Optimistic	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff	1,654	1,654	1,654	1,654	1,654	1,654	1,654	1,654	1,654	1,654	1,654	18,197
Supplies	780	780	780	780	780	780	780	780	780	780	780	8,581
<b>Total base</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>2,434</b>	<b>26,778</b>
Supplies Savings	0%	0%	10%	0%	10%	0%	0%	10%	0%	0%	0%	
Staff revised	1,654	1,654	1,489	1,489	1,340	1,340	1,340	1,206	1,206	1,206	1,206	15,130
Supplies revised	780	757	757	734	712	691	670	650	650	650	650	7,699
<b>Total revised</b>	<b>2,434</b>	<b>2,411</b>	<b>2,246</b>	<b>2,223</b>	<b>2,052</b>	<b>2,031</b>	<b>2,010</b>	<b>1,856</b>	<b>1,856</b>	<b>1,856</b>	<b>1,856</b>	<b>22,829</b>
Staff savings	-	-	165	165	314	314	314	448	448	448	448	3,067
Supplies savings	-	23	23	46	68	89	110	130	130	130	130	882
<b>Total savings</b>	<b>-</b>	<b>23</b>	<b>189</b>	<b>212</b>	<b>382</b>	<b>404</b>	<b>425</b>	<b>579</b>	<b>579</b>	<b>579</b>	<b>579</b>	<b>3,949</b>
Annual reduction	-	-	5.5	-	4.9	-	-	4.4	-	-	-	14.8
<b>Total FTE</b>	<b>54.8</b>	<b>54.8</b>	<b>49.3</b>	<b>49.3</b>	<b>44.3</b>	<b>44.3</b>	<b>44.3</b>	<b>39.9</b>	<b>39.9</b>	<b>39.9</b>	<b>39.9</b>	

Figure 10 Customer service optimistic savings potential

The resultant FTE reduction is shown based on the average loaded cost calculation below

Gross expenditure	2,554
Less supplies retained client	(20)
Less supplies provider	(780)
<b>Staff cost</b>	<b>1,754</b>
FTE	58
<b>Avg. Loaded cost</b>	<b>£ 30,214.84</b>

Figure 11 Customer Services average loaded cost

There are broader 'customer contact' savings to be made across the council. These savings are categorised as follows:

- savings from channel transfer
- savings from consolidation of customer service teams
- savings from back office efficiencies
- contact centre operational improvement

These savings will be considered as part of the Customer Services Transformation project.

## Information Systems

The levers for savings in IS come from the following areas:

IS Area	Potential for saving
<b>ICT Procurement</b>	<ul style="list-style-type: none"> <li>• 5% annual savings on 3rd party contracts based on 2011 spending</li> <li>• Target £100k a year on hardware spend as per the IS transformation plan through improved framework agreements</li> </ul>
<b>IS Organisation</b>	<ul style="list-style-type: none"> <li>• As per the IS transformation plan based on 2011 spending</li> <li>• 10% of people savings based on 2011 spending</li> </ul>
<b>IS Infrastructure</b>	<ul style="list-style-type: none"> <li>• It is envisaged that significant savings will be realised once an infrastructure review is carried out e.g. further reduction of 2e2 contract.</li> </ul>
<b>IS Licensing</b>	<ul style="list-style-type: none"> <li>• As with the Message Labs contract (reduction by 50%) there are savings to make in licensing areas such as Microsoft, Oracle and Citrix.</li> </ul>

The effects of these savings over 3 years are shown in the figure below:

Savings area	2012/13	2013/14	2014/15	Total
IS Procurement	340	340	340	1,020
Organisation	-	726	726	1,452
Infrastructure	-	200	200	400
Licensing	30	30	30	90
<b>Total</b>	<b>370</b>	<b>1,296</b>	<b>1,296</b>	<b>2,962</b>

**Figure 12 IS Savings**

This business case has used the 75% of the 2012 value (£277K) as the prudent estimate of how much the baseline cost of the service can be reduced before the service goes out to market. From 2013 onwards it used 75% of the 2013 value (£972,000).

The optimistic case uses 100% of this value (£370K) in 2012. It then uses £1,296K from 2013/14.

From year 2 (2014/15) the optimistic business case assumes the provider will deliver a further 2% reduction on baseline costs. The prudent case assumes 75% of this figure each year.

Both scenarios assume that there will be an IT refresh cost during the contract. The savings are reduced by £400K annually between years 6 and 10 – 2018/19 onwards. This equates to £2M over the 5 years.



**Revenues & Benefits**

No savings are shown in year 0 and year 1 in either scenario. This reflects the fact that as the service is transferred the council will want the provider to assess, transfer and stabilise any areas as necessary before realising any efficiencies.

The council will also want to ensure the provider does not negatively impact the performance of the service by removing cost too early. The provider will also use this time to make any required investments before beginning any transformation.

Savings are expected to come from:

- economies of scale and virtualisation of teams – a provider will run services for multiple local authorities and be able to better cope with demand peaks and troughs. Officers will not have to be physically located in the authority for which they are processing work
- automation of processes
- stream lining of customer contact

Automation and customer contact improvements could include channel transfer of transactions/customer contact to the internet – thereby reducing officer intervention in standard processes.

The savings used in the business case for Revenues & Benefits all into 2 areas:

- staff costs
- supplies – the savings here can be more aggressive than on staff costs

The resultant FTE reductions are based on the average loaded cost calculation shown in figure 14.

Gross expenditure	6,882
Less supplies retained client	(29)
Less supplies provider	(557)
Staff cost	6,296
FTE	162
Avg. Loaded cost	£38,779.65

**Figure 13 Revenues & Benefits average loaded cost**

Revenues & Benefits - Prudent savings potential												
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Prudent												
Staff base	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	63,287
Supplies base	557	557	557	557	557	557	557	557	557	557	557	6,129
<b>Total base</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>69,416</b>
Staff efficiency	0%	0%	3%	3%	3%	2%	2%	2%	1%	1%	0%	
Supplies efficiency	0%	0%	5%	5%	4%	4%	4%	3%	3%	2%	2%	
Staff revised	5,753	5,753	5,581	5,413	5,251	5,146	5,043	4,942	4,893	4,844	4,844	57,463
Supplies revised	557	557	529	503	483	463	445	432	419	410	402	5,200
<b>Total revised</b>	<b>6,311</b>	<b>6,311</b>	<b>6,110</b>	<b>5,916</b>	<b>5,734</b>	<b>5,609</b>	<b>5,488</b>	<b>5,374</b>	<b>5,311</b>	<b>5,254</b>	<b>5,246</b>	<b>62,663</b>
Staff savings	-	-	173	340	502	607	710	811	861	910	910	5,824
Supplies savings	-	-	28	54	74	94	112	126	139	147	155	929
<b>Total savings</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>394</b>	<b>577</b>	<b>701</b>	<b>823</b>	<b>937</b>	<b>999</b>	<b>1,057</b>	<b>1,065</b>	<b>6,753</b>
Annual reduction		-	4.5	4.3	4.2	2.7	2.7	2.6	1.3	1.3	-	23.5
Total FTE	148.4	148.4	143.9	139.6	135.4	132.7	130.0	127.4	126.2	124.9	124.9	

Figure 14 Prudent savings potential

Revenues & Benefits - Optimistic savings potential												
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Optimistic												
Staff	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753	63,287
Supplies	557	557	557	557	557	557	557	557	557	557	557	6,129
<b>Total base</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>6,311</b>	<b>69,416</b>
Staff efficiency	0%	0%	4%	4%	4%	3%	3%	3%	3%	2%	2%	
Supplies efficiency	0%	0%	8%	5%	4%	4%	4%	3%	3%	3%	2%	
Staff revised	5,753	5,753	5,523	5,302	5,090	4,937	4,789	4,646	4,506	4,416	4,328	55,045
Supplies revised	557	557	513	487	467	449	431	418	405	393	385	5,063
<b>Total revised</b>	<b>6,311</b>	<b>6,311</b>	<b>6,036</b>	<b>5,789</b>	<b>5,558</b>	<b>5,386</b>	<b>5,220</b>	<b>5,064</b>	<b>4,912</b>	<b>4,809</b>	<b>4,713</b>	<b>60,108</b>
Staff savings	-	-	230	451	663	816	964	1,108	1,247	1,337	1,425	8,242
Supplies savings	-	-	45	70	90	108	126	139	152	164	172	1,066
<b>Total savings</b>	<b>-</b>	<b>-</b>	<b>275</b>	<b>521</b>	<b>753</b>	<b>924</b>	<b>1,090</b>	<b>1,247</b>	<b>1,399</b>	<b>1,501</b>	<b>1,597</b>	<b>9,308</b>
Annual reduction		-	5.9	5.7	5.5	3.9	3.8	3.7	3.6	2.3	2.3	36.8
Total FTE	148.4	148.4	142.4	136.7	131.3	127.3	123.5	119.8	116.2	113.9	111.6	

Figure 15 Optimistic savings potential

## **Estates**

Savings are expected to come from improvements in processes and standardisation, which in turn will improve the ratio of cost of function as a percentage of organisational running costs.

This business case has estimated a 5% saving on organisation running costs as the driver for savings in the prudent case.

For the optimistic case the figure used is 10% as the saving achievable.

The model assumes the council will exercise its break clause on North London Business Park (NLBP) Building 4 in October 2015. The cost of NLBP is £4.5M per annum.

There will be a cost to relocate and reconfigure existing/new buildings to accommodate the remaining workforce – which may include the strategic partners for the One Barnet DRS and NSCSO projects.

The prudent business case assumes that after costs the saving will be approximately £830K (5 months of £2M) in year 3 (2015/16) and £2M per annum from year 4 (2016/17).

The optimistic business case assumes that after costs the saving will be approximately £1M (5 months of £2.5M) in year 3 (2015/16) and £2.5M per annum from year 4 (2016/17).

## Procurement Service

Available levers for procurement savings:

- target savings in influenceable spend
- savings in 3rd party spend by managing it actively by procurement professionals and through consolidation and pre-established contract arrangements
- electronic sourcing of 3rd party spend
- savings components - overall cost made up of staff cost savings and process/transactional cost savings - making up the overall figure of potential savings to arrive at average performance

Baseline indicators	Barnet	Average	Lower Quartile	Median	Upper Quartile
Cost of Procurement function	£1,721,339				
% 3rd party spend committed against pre-established contract arrangements	60%				
% 3rd party spend committed actively managed by procurement professionals	66%				
Total annual influenceable spend	£166,500,000				
Cost of Procurement function	£1,721,339				
Cost of Procurement function as a % of Org running costs	0.25%	0.23%	0.12%	0.19%	0.29%
<i>Potential savings at performance level</i>		<i>£113,135</i>	<i>£882,276</i>	<i>£392,823</i>	
Actual spend through pre-established contract arrangements as a % of third-party spend	59.8%	68.3%	55.3%	73.3%	86.0%
Total 3rd party spend that is sourced electronically	0.0%	25.4%	0.3%	10.7%	40.4%
Gain/Share	0.5%	1%	1.5%	2.5%	3%
<i>Potential savings due to reduction in influenceable spend</i>	<i>£832,500</i>	<i>£1,665,000</i>	<i>£2,497,500</i>	<i>£4,162,500</i>	<i>£4,995,000</i>

Figure 16 Procurement benchmarking

The business case has used the 'Cost of the procurement function as a percentage of organisational running costs' as the driver for savings.

### **Procurement – Prudent**

By achieving the average performance level the potential savings are £113,135 per annum. This has been used as the indicative cost reduction figure in the prudent scenario.

### **Procurement – Optimistic**

By achieving the median performance level the potential savings are £392,823 per annum. This has been used as the indicative cost reduction figure in the optimistic scenario.

LBB should also be able to enter a Gain/Share agreement with a strategic partner to split savings that the provider makes on the council's influenceable spend. For the

purposes of the business case the influenceable spend figure has been calculated at £166M (£250M identified in 2009 less £3.5M spend transferring to DRS strategic partner less £80M removed for personalised budgets).

In the prudent scenario a provider would deliver 1% savings on this reducing figure year on year.

In the optimistic scenario a provider would deliver 3% savings on this reducing figure.

The figure below shows the potential savings that could be delivered. These savings are not included in the overall business case and shown for information only.

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Cumulative
Gain/Share	Prudent	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Saving	1%	833	1,657	1,640	1,624	1,607	1,591	1,575	1,560	1,544	1,529	15,160
Inflencable spend		166,500	165,668	164,011	162,371	160,747	159,140	157,548	155,973	154,413	152,869	151,340
Gain/Share	Optimistic	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Saving	3%	2,498	4,920	4,772	4,629	4,490	4,356	4,225	4,098	3,975	3,856	41,820
Inflencable spend		166,500	164,003	159,082	154,310	149,681	145,190	140,835	136,609	132,511	128,536	124,680

**Figure 17 Gain/Share potential**

Year 1 assumes 6 months of savings.

# Appendix C: Service business case overviews

## Human Resources – Prudent overview

New Support & Customer Services Organisation - Prudent Business Case Overview												
Human Resource Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£001	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	4,048	3,881	3,881	3,732	3,412	3,412	3,412	3,412	3,412	3,412	3,412	<b>39,425</b>
Less OB projects	(167)	0	0	0	0	0	0	0	0	0	0	<b>(167)</b>
Less Internal Savings		0	(149)	(320)	0	0	0	0	0	0	0	<b>(470)</b>
Sub-Total	3,881	3,881	3,732	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	<b>38,788</b>
Less retained client	(1,086)	(1,086)	(937)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	<b>(8,041)</b>
Provider baseline	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	<b>30,747</b>
Indicative cost reduction	(75)	(301)	(356)	(356)	(356)	(356)	(356)	(356)	(356)	(356)	(356)	<b>(3,584)</b>
Revised provider baseline (Net of provider fees & costs)	2,720	2,495	2,439	2,439	2,439	2,439	2,439	2,439	2,439	2,439	2,439	<b>27,164</b>
% Change (cost reduction)	3%	11%	13%	13%	13%	13%	13%	13%	13%	13%	13%	<b>12%</b>
Income	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	<b>26,083</b>
Change to Income		(153)	(182)	(189)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	<b>(1,970)</b>
Revised Income	2,371	2,218	2,190	2,182	2,165	2,165	2,165	2,165	2,165	2,165	2,165	<b>24,113</b>
% Change (customer value)	0%	6%	8%	8%	9%	9%	9%	9%	9%	9%	9%	<b>8%</b>
Total financial benefit	75	147	175	168	150	150	150	150	150	150	150	<b>1,613</b>

## Human Resources – Optimistic overview

New Support & Customer Services Organisation - Optimistic Business Case Overview												
Human Resource Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	4,048	3,881	3,881	3,732	3,412	3,412	3,412	3,412	3,412	3,412	3,412	<b>39,425</b>
Less OB projects	(167)	0	0	0	0	0	0	0	0	0	0	<b>(167)</b>
Less Internal Savings		0	(149)	(320)	0	0	0	0	0	0	0	<b>(470)</b>
Sub-Total	3,881	3,881	3,732	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	<b>38,788</b>
Less retained client	(1,086)	(1,086)	(937)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	<b>(8,041)</b>
Provider baseline	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	<b>30,747</b>
Indicative cost reduction	(94)	(331)	(392)	(392)	(392)	(392)	(392)	(392)	(392)	(392)	(392)	<b>(3,953)</b>
Revised provider baseline (Net of provider fees & costs)	2,701	2,465	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403	<b>26,794</b>
% Change (cost reduction)	3%	12%	14%	14%	14%	14%	14%	14%	14%	14%	14%	<b>13%</b>
Income	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	<b>26,083</b>
Change to Income		(168)	(200)	(208)	(227)	(227)	(227)	(227)	(227)	(227)	(227)	<b>(2,167)</b>
Revised Income	2,371	2,203	2,171	2,163	2,144	2,144	2,144	2,144	2,144	2,144	2,144	<b>23,916</b>
% Change (customer value)	0%	7%	8%	9%	10%	10%	10%	10%	10%	10%	10%	<b>8%</b>
Total financial benefit	94	162	192	184	165	165	165	165	165	165	165	<b>1,786</b>

## Finance – Prudent overview

New Support & Customer Services Organisation - Prudent Business Case Overview												
Finance Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	5,912	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	<b>63,869</b>
Less OB projects	(116)	0	0	0	0	0	0	0	0	0	0	<b>(116)</b>
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Sub-Total	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	<b>63,753</b>
Less retained client	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	<b>(9,022)</b>
Provider baseline	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	<b>54,731</b>
Indicative cost reduction	0	(288)	(563)	(563)	(563)	(563)	(563)	(563)	(563)	(414)	(414)	<b>(5,054)</b>
Revised provider baseline (Net of provider fees & costs)	4,976	4,688	4,413	4,413	4,413	4,413	4,413	4,413	4,413	4,562	4,562	<b>49,677</b>
% Change (cost reduction)	0%	6%	11%	11%	11%	11%	11%	11%	11%	8%	8%	<b>9%</b>
Income	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	<b>12,332</b>
Change to Income		(54)	(105)	(105)	(105)	(105)	(105)	(105)	(105)	(77)	(77)	<b>(945)</b>
Revised Income	1,121	1,067	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,044	1,044	<b>11,386</b>
% Change (customer value)	0%	5%	9%	9%	9%	9%	9%	9%	9%	7%	7%	<b>8%</b>
Total financial benefit	0	234	458	458	458	458	458	458	458	336	336	<b>4,109</b>



## Finance – Optimistic overview

New Support & Customer Services Organisation - Optimistic Business Case Overview												
Finance Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	5,912	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	<b>63,869</b>
Less OB projects	(116)	0	0	0	0	0	0	0	0	0	0	<b>(116)</b>
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Sub-Total	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	<b>63,753</b>
Less retained client	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	<b>(9,022)</b>
Provider baseline	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	<b>54,731</b>
Indicative cost reduction	0	(575)	(1,076)	(1,076)	(1,076)	(1,076)	(1,076)	(1,076)	(1,076)	(827)	(827)	<b>(9,759)</b>
Revised provider baseline (Net of provider fees & costs)	4,976	4,401	3,900	3,900	3,900	3,900	3,900	3,900	3,900	4,149	4,149	<b>44,972</b>
% Change (cost reduction)	0%	12%	22%	22%	22%	22%	22%	22%	22%	17%	17%	<b>18%</b>
Income	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	<b>12,332</b>
Change to Income		(108)	(201)	(201)	(201)	(201)	(201)	(201)	(201)	(155)	(155)	<b>(1,825)</b>
Revised Income	1,121	1,014	920	920	920	920	920	920	920	966	966	<b>10,506</b>
% Change (customer value)	0%	10%	18%	18%	18%	18%	18%	18%	18%	14%	14%	<b>15%</b>
Total financial benefit	0	467	875	875	875	875	875	875	875	672	672	<b>7,934</b>

## Customer Services – Prudent overview

New Support & Customer Services Organisation - Prudent Business Case Overview												
Customer Services												
	Contract starts											Total (cumulative) £000
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	2012/13 £001	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	
Projected baseline (NSCSO)	2,554	2,554	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	27,724
Less OB projects	0	0	0	0	0	0	0	0	0	0	0	0
Less Internal Savings		(42)	0	0	0	0	0	0	0	0	0	(42)
Sub-Total	2,554	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	27,682
Less retained client	(120)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(904)
Provider baseline	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	26,778
Indicative cost reduction	0	0	0	0	0	0	0	0	0	0	0	0
Revised provider baseline (Net of provider fees & costs)	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	26,778
% Change (cost reduction)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Income	170	170	170	170	170	170	170	170	170	170	170	1,871
Change to Income		0	0	0	0	0	0	0	0	0	0	0
Revised Income	170	170	170	170	170	170	170	170	170	170	170	1,871
% Change (customer value)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total financial benefit	0	0	0	0	0	0	0	0	0	0	0	0

## Customer Services – Optimistic overview

New Support & Customer Services Organisation - Optimistic Business Case Overview												
Customer Services												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	2,554	2,554	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	27,724
Less OB projects	0	0	0	0	0	0	0	0	0	0	0	0
Less Internal Savings		(42)	0	0	0	0	0	0	0	0	0	(42)
Sub-Total	2,554	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	2,513	27,682
Less retained client	(120)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(904)
Provider baseline	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	26,778
Indicative cost reduction	0	(23)	(189)	(212)	(382)	(404)	(425)	(579)	(579)	(579)	(579)	(3,949)
Revised provider baseline (Net of provider fees & costs)	2,434	2,411	2,246	2,223	2,052	2,031	2,010	1,856	1,856	1,856	1,856	22,829
% Change (cost reduction)	0%	1%	8%	9%	16%	17%	17%	24%	24%	24%	24%	15%
Income	170	170	170	170	170	170	170	170	170	170	170	1,871
Change to Income		(1)	(6)	(7)	(12)	(12)	(13)	(18)	(18)	(18)	(18)	(122)
Revised Income	170	169	164	164	158	158	157	152	152	152	152	1,749
% Change (customer value)	0%	0%	3%	4%	7%	7%	8%	11%	11%	11%	11%	7%
Total financial benefit	0	23	183	205	371	391	411	561	561	561	561	3,827

## Information Systems – Prudent overview

New Support & Customer Services Organisation - Prudent Business Case Overview												
Information Systems Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£001	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	9,277	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	<b>94,560</b>
Less OB projects	(749)	0	0	0	0	0	0	0	0	0	0	<b>(749)</b>
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Sub-Total	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	<b>93,811</b>
Less retained client	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	<b>(4,833)</b>
Provider baseline	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	<b>88,978</b>
Indicative cost reduction	(278)	(972)	(1,074)	(1,072)	(1,072)	(1,072)	(872)	(878)	(878)	(878)	(878)	<b>(9,922)</b>
Revised provider baseline (Net of provider fees & costs)	7,811	7,117	7,015	7,017	7,017	7,017	7,217	7,211	7,211	7,211	7,211	<b>79,056</b>
% Change (cost reduction)	3%	12%	13%	13%	13%	13%	11%	11%	11%	11%	11%	<b>11%</b>
Income	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	<b>25,458</b>
Change to Income		(192)	(212)	(212)	(212)	(212)	(172)	(174)	(174)	(174)	(174)	<b>(1,908)</b>
Revised Income	2,314	2,122	2,102	2,102	2,102	2,102	2,142	2,141	2,141	2,141	2,141	<b>23,549</b>
% Change (customer value)	0%	8%	9%	9%	9%	9%	7%	8%	8%	8%	8%	<b>7%</b>
Total financial benefit	278	780	861	860	860	860	699	704	704	704	704	<b>8,014</b>

## Information Systems – Optimistic overview

New Support & Customer Services Organisation - Optimistic Business Case Overview												
Information Systems Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	9,277	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	<b>94,560</b>
Less OB projects	(749)	0	0	0	0	0	0	0	0	0	0	<b>(749)</b>
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Sub-Total	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	<b>93,811</b>
Less retained client	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	<b>(4,833)</b>
Provider baseline	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	<b>88,978</b>
Indicative cost reduction	(370)	(1,296)	(1,432)	(1,429)	(1,429)	(1,429)	(1,029)	(1,037)	(1,037)	(1,037)	(1,037)	<b>(12,563)</b>
Revised provider baseline (Net of provider fees & costs)	7,719	6,793	6,657	6,660	6,660	6,660	7,060	7,052	7,052	7,052	7,052	<b>76,416</b>
% Change (cost reduction)	5%	16%	18%	18%	18%	18%	13%	13%	13%	13%	13%	<b>14%</b>
Income	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	<b>25,458</b>
Change to Income		(256)	(283)	(283)	(283)	(283)	(204)	(205)	(205)	(205)	(205)	<b>(2,412)</b>
Revised Income	2,314	2,058	2,031	2,032	2,032	2,032	2,111	2,109	2,109	2,109	2,109	<b>23,045</b>
% Change (customer value)	0%	11%	12%	12%	12%	12%	9%	9%	9%	9%	9%	<b>9%</b>
Total financial benefit	370	1,040	1,149	1,146	1,146	1,146	826	832	832	832	832	<b>10,151</b>

## Revenues & Benefits– Prudent overview

New Support & Customer Services Organisation - Prudent Business Case Overview												
Revenues and Benefits Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£001	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	6,882	6,882	6,750	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	<b>73,810</b>
Less OB projects	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Less Internal Savings		(132)	(88)	0	0	0	0	0	0	0	0	<b>(220)</b>
Sub-Total	6,882	6,750	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	<b>73,591</b>
Less retained client	(571)	(439)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	<b>(4,175)</b>
Provider baseline	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	<b>69,416</b>
Indicative cost reduction	0	0	(200)	(394)	(577)	(701)	(823)	(937)	(999)	(1,057)	(1,065)	<b>(6,753)</b>
Revised provider baseline (Net of provider fees & costs)	6,311	6,311	6,110	5,916	5,734	5,609	5,488	5,374	5,311	5,254	5,246	<b>62,663</b>
% Change (cost reduction)	0%	0%	3%	6%	9%	11%	13%	15%	16%	17%	17%	<b>10%</b>
Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	<b>18,664</b>
Change to Income		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Revised Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	<b>18,664</b>
% Change (customer value)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	<b>0%</b>
Total financial benefit	0	0	200	394	577	701	823	937	999	1,057	1,065	<b>6,753</b>

## Revenues & Benefits– Optimistic overview

New Support & Customer Services Organisation - Optimistic Business Case Overview												
Revenues and Benefits Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	6,882	6,882	6,750	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	<b>73,810</b>
Less OB projects	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Less Internal Savings		(132)	(88)	0	0	0	0	0	0	0	0	<b>(220)</b>
Sub-Total	6,882	6,750	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	<b>73,591</b>
Less retained client	(571)	(439)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	<b>(4,175)</b>
Provider baseline	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	<b>69,416</b>
Indicative cost reduction	0	0	(275)	(521)	(753)	(924)	(1,090)	(1,247)	(1,399)	(1,501)	(1,597)	<b>(9,308)</b>
Revised provider baseline (Net of provider fees & costs)	6,311	6,311	6,036	5,789	5,558	5,386	5,220	5,064	4,912	4,809	4,713	<b>60,108</b>
% Change (cost reduction)	0%	0%	4%	8%	12%	15%	17%	20%	22%	24%	25%	<b>13%</b>
Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	<b>18,664</b>
Change to Income		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Revised Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	<b>18,664</b>
% Change (customer value)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	<b>0%</b>
Total financial benefit	0	0	275	521	753	924	1,090	1,247	1,399	1,501	1,597	<b>9,308</b>

## Estates – Prudent overview

New Support & Customer Services Organisation - Prudent Business Case Overview													
Estates Service													
	Contract starts											Total (cumulative) £000	
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
	2012/13 £001	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000		
Projected baseline (NSCSO)	13,016	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	<b>131,279</b>
Less OB projects	(1,189)	0	0	0	0	0	0	0	0	0	0	0	<b>(1,189)</b>
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Sub-Total	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	<b>130,089</b>
Less retained client	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	<b>(1,878)</b>
Provider baseline	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	<b>128,212</b>
Indicative cost reduction	(146)	(583)	(583)	(1,416)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	<b>(20,807)</b>
Revised provider baseline (Net of provider fees & costs)	11,510	11,073	11,073	10,239	9,073	9,073	9,073	9,073	9,073	9,073	9,073	9,073	<b>107,405</b>
% Change (cost reduction)	1%	5%	5%	12%	22%	22%	22%	22%	22%	22%	22%	22%	<b>16%</b>
Income	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	<b>65,352</b>
Change to Income		(44)	(44)	(106)	(193)	(193)	(193)	(193)	(193)	(193)	(193)	(193)	<b>(1,547)</b>
Revised Income	5,941	5,897	5,897	5,835	5,748	5,748	5,748	5,748	5,748	5,748	5,748	5,748	<b>63,804</b>
% Change (customer value)	0%	1%	1%	2%	3%	3%	3%	3%	3%	3%	3%	3%	<b>2%</b>
Total financial benefit	146	539	539	1,310	2,389	2,389	2,389	2,389	2,389	2,389	2,389	2,389	<b>19,259</b>



## Estates – Optimistic overview

New Support & Customer Services Organisation - Optimistic Business Case Overview												
Estates Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	13,016	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	<b>131,279</b>
Less OB projects	(1,189)	0	0	0	0	0	0	0	0	0	0	<b>(1,189)</b>
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	<b>0</b>
Sub-Total	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	<b>130,089</b>
Less retained client	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	<b>(1,878)</b>
Provider baseline	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	<b>128,212</b>
Indicative cost reduction	(291)	(1,166)	(1,166)	(2,207)	(3,666)	(3,666)	(3,666)	(3,666)	(3,666)	(3,666)	(3,666)	<b>(30,489)</b>
Revised provider baseline (Net of provider fees & costs)	11,364	10,490	10,490	9,448	7,990	7,990	7,990	7,990	7,990	7,990	7,990	<b>97,723</b>
% Change (cost reduction)	3%	10%	10%	19%	31%	31%	31%	31%	31%	31%	31%	<b>24%</b>
Income	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	<b>65,352</b>
Change to Income		(87)	(87)	(165)	(275)	(275)	(275)	(275)	(275)	(275)	(275)	<b>(2,262)</b>
Revised Income	5,941	5,854	5,854	5,776	5,667	5,667	5,667	5,667	5,667	5,667	5,667	<b>63,090</b>
% Change (customer value)	0%	1%	1%	3%	5%	5%	5%	5%	5%	5%	5%	<b>3%</b>
Total financial benefit	291	1,078	1,078	2,042	3,391	3,391	3,391	3,391	3,391	3,391	3,391	<b>28,227</b>

## Procurement – Prudent overview

New Support & Customer Services Organisation - Prudent Business Case Overview													
Procurement Service													
	Contract starts											Total (cumulative) £000	
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
	2012/13 £001	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000		
Projected baseline (NSCSO)	1,719	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	<b>18,840</b>
Less OB projects	(7)	0	0	0	0	0	0	0	0	0	0	0	<b>(7)</b>
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Sub-Total	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	<b>18,833</b>
Less retained client	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	<b>(546)</b>
Provider baseline	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	<b>18,288</b>
Indicative cost reduction	(28)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	<b>(1,160)</b>
Revised provider baseline (Net of provider fees & costs)	1,634	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	<b>17,128</b>
% Change (cost reduction)	2%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	<b>6%</b>
Income	32	32	32	32	32	32	32	32	32	32	32	32	<b>354</b>
Change to Income		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	<b>(7)</b>
Revised Income	32	31	31	31	31	31	31	31	31	31	31	31	<b>347</b>
% Change (customer value)	0%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	<b>2%</b>
Total financial benefit	28	112	112	112	112	112	112	112	112	112	112	112	<b>1,152</b>

## Procurement – Optimistic overview

New Support & Customer Services Organisation - Optimistic Business Case Overview												
Procurement Service												
	Contract starts											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	(cumulative)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projected baseline (NSCSO)	1,719	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	18,840
Less OB projects	(7)	0	0	0	0	0	0	0	0	0	0	(7)
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0
Sub-Total	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	1,712	18,833
Less retained client	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(546)
Provider baseline	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	18,288
Indicative cost reduction	(98)	(393)	(393)	(393)	(393)	(393)	(393)	(393)	(393)	(393)	(393)	(4,026)
Revised provider baseline (Net of provider fees & costs)	1,564	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	14,261
% Change (cost reduction)	6%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	22%
Income	32	32	32	32	32	32	32	32	32	32	32	354
Change to Income		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(25)
Revised Income	32	30	30	30	30	30	30	30	30	30	30	329
% Change (customer value)	0%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	7%
Total financial benefit	98	390	390	390	390	390	390	390	390	390	390	4,002

## Appendix D: Information Sources

Source	Description
NSO/CSO Options Appraisal Report	CRC report seeking approval to initiate procurement based on the options analysis of original NSO/CSO service areas
SAP data	HR and Finance data associated with historic and current service delivery, as well as committed savings
NSO/CSO function templates	Key business case data provided by service managers
One Barnet Business Case	Framework outlining costs and benefits across the One Barnet Programme
One Barnet Business Case Cabinet cover report	Cabinet report seeking approval of programme activities, investment and benefits
NSO / CSO soft market assessment report	Stand-alone report investigating market appetite for a private sector operator for the original service areas
Chartered Institute Of Personnel & Development	TUPE guidelines
CIPFA stats	Financial benchmarking data
Audit Commission	Performance benchmarking data, and retained client function assumptions

## Appendix D: Information Sources

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**One Barnet Programmes – Employee Equality Impact Assessment**

**One Barnet Programme Name: New Support and Customer Services Organisation**

[This document remains live with information being added at each critical milestone]

**EIA Contents**

- 1 Introduction
2. Any Anticipated Equalities Issues at each milestone and identified mitigation
3. Monitoring Summary
4. Project Milestone Outcomes, Analysis and Actions
5. Briefing, Sharing and Learning

## **1. Introduction**

### **1.1 Aims and objectives of the OB programme**

The project's aim is to enable the council's support and customer 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 proposals approved in the Customer Services Organisation and New Support Organisation options appraisal fit within the One Barnet principles. In line with the One Barnet principles listed below all services should:

A new relationship with citizens

- be designed and delivered around customers' needs
- provide the best possible customer experience
- 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
- 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)
- safeguard the council's position to maintain its reputation and comply with legal responsibilities.

### **1.2 Description of the critical milestones**

- Identification of services in scope via the options appraisal:
  - Corporate procurement
  - Customer Services
  - Estates (including corporate programmes team)
  - Finance
  - Human Resources
  - Information Services
  - Revenues and Benefits
- End of dialogue one to reflect any changes to the scope of services included (December 2011)
- Re-organisation to reflect the new size and scope of the re-defined activities at April 2012



- TUPE transfer of the activity to a third party

### **1.3 Key Stakeholders**

- In scope staff – represented by the staff group and service lead group
- Council customers – represented by the members of the advisory group, these are the service areas that use the services in scope
- Politicians – decisions regarding the progress of the project will be taken by Cabinet Resources Committee and Cabinet
- Senior council officers – the project is sponsored by the Deputy Chief Executive and the board comprises of senior council officers
- Trade Unions – represented by trade union staff who attend monthly meetings with the project manager, HR and project sponsor
- Partners – schools and Barnet Homes are able to use a number of services in scope. Barnet Homes are part of the advisory group and schools have created a working group that meets with the project team to represent their interests.

## **2. Any Anticipated Equalities Issues at each milestone and identified mitigation**

### **2.1 Identification of services in scope – EIA Iteration 12/05/11**

This is not expected to have any impact on staff as it is purely a paper exercise to establish the size of all the services in scope.

### **2.2 End of dialogue one**

This is not expected to have an impact on equalities. Following the first round of dialogue it may become clear that some services will no longer go forward as part of the final set of services. In which case the staff baseline will need to be re-profiled and updated within the EIA to reflect the new collection.

### **2.3 Council re-organisation**

It is expected that further re-organisations of the services in scope will be carried across 2011/12. At this stage the nature and extent of these re-organisations is unknown and as such it is not possible to assess whether there will be an equalities impact.

### **2.4 Staff transfer**

If the business case approves the continuation of procurement to competitive dialogue there will be a TUPE transfer of employees to the new provider. There is not currently perceived to be any specific activities that will directly impact any one group with protected characteristics over the employee group as a whole.

### **Possible activities that may have implications at this stage of the process could be:**

- Perceived possible effects of outsourcing on employees
- TUPE (the Transfer of Undertaking (Protection of Employment) Regulations 2006) transfer
- Change of pay date
- Location

- Measures

## **Impact**

There will be clarity on actual impacts on employees of any procurement process at the stage of contract award, following competitive dialogue. Until that point the current iteration of this document is based around possibility. The in-scope employees whose data is detailed above will change over time as decisions are made on the shape of the retained client function and through staff turnover.

### **3. Monitoring Summary**

**Table 1- Employee EIA Profile of the One Barnet Project** (this profile is in accordance with the requirements of the Equality Act 2010 and the Council will collect this information so far as we hold it)

All numbers replaced by an 'X' have been aggregated to project personal identification

#### Critical Milestones

		In-scope Profile at Outset date		End of dialogue 1 date		Re-org date		Transfer date	
		No.	% change	No.	% change	No.	% change	No.	% change
<b>Number of employees</b>		538	N/A						
<b>Gender</b>	Female	321	N/A						
	Male	217	N/A						
<b>Date of Birth (age)</b>	<b>1992-1986</b>	19	N/A						
	<b>1965-1976</b>	123	N/A						
	<b>1975-1966</b>	163	N/A						
	<b>1965-1951</b>	210	N/A						
	<b>1950-1941</b>	22	N/A						
	<b>1940 and earlier</b>	X	N/A						
<b>Ethnic Group</b>	<b>White</b>		N/A						
	British	284							
	Irish	X							
	Other White	28							
<b>Mixed</b>	White and Black Caribbean		N/A						
	White and Black African								
	White and Asian	X							
	Other Mixed	10							
<b>Asian and Asian British</b>		N/A							

	Indian	57							
	Pakistani	X							
	Bangladeshi	X							
	Other Asian	13							
	<b>Black or Black British</b>		N/A						
	Caribbean	37							
	African	21							
	Other Black	X							
	<b>Chinese or Other Ethnic Group</b>		N/A						
	Chinese	X							
	Other Ethnic Group	10							
<b>Disability</b>									
	<b>Physical co-ordination</b> (such as manual dexterity, muscular control, cerebral palsy)		N/A						
	<b>Hearing</b> (such as: deaf, partially deaf or hard of hearing)	X	N/A						
	<b>Vision</b> (such as blind or fractional/partial sight. Does not include people whose visual problems can be corrected by glasses/contact lenses)		N/A						
	<b>Speech</b> (such as impairments that can cause communication problems)		N/A						
	<b>Reduced physical capacity</b> (such as inability to lift, carry or otherwise move everyday objects, debilitating pain and lack of strength, breath, energy or stamina, asthma, angina or diabetes)		N/A						
	<b>Severe disfigurement</b>		N/A						
	<b>Learning difficulties</b> (such as dyslexia)	X	N/A						
	<b>Mental illness</b> (substantial and lasting more than a year)	X	N/A						
<b>Mobility</b> (such as wheelchair user, artificial lower limb(s), walking aids, rheumatism or arthritis)		N/A							
<b>Gender Identity</b>									
	<b>Transsexual/Transgender</b> (people whose gender identity is different from the gender they were assigned at birth)		N/A						
<b>Pregnancy and Maternity</b>									
	Pregnant		N/A						
	Maternity Leave (current)		N/A						
	Maternity Leave (in last 12 months)		N/A						
<b>Religion or Belief</b>									
	Christian	264	N/A						
	Buddhist		N/A						
	Hindu	52	N/A						

	Jewish	12	N/A						
	Muslim	30	N/A						
	Sikh	X	N/A						
	Other religions	18	N/A						
	No religion	69	N/A						
	Not stated	66	N/A						
<b>Sexual Orientation</b>	Heterosexual	390	N/A						
	Bisexual		N/A						
	Lesbian		N/A						
	Gay	X	N/A						
<b>Marriage and civil partnership</b>	Married	195	N/A						
	Single	121	N/A						
	Widowed	X	N/A						
	Divorced	25	N/A						
	In Civil partnership	X	N/A						
<b>Relevant and related grievances</b>	Formal		N/A						
	Upheld		N/A						
	Dismissed		N/A						

## Data Gaps

The business case shows full time equivalent (FTE) in the financial model, the EIA shows data described by headcount.

The above figures have been taken from the SAP HR system on employees known to be in-scope by name. Devolved staff have not yet been identified by name and therefore their data will be included in the next iteration of the EIA, this is also the case for the Corporate Programmes Team who have come in to scope this week.

## 4. Project Milestone Outcomes, Analysis and Actions

### 4.1 Summary of the outcomes at each milestone

#### 4.1.1 Identification of services in scope - EIA Iteration 12/05/11

The detail is set out at Table 1. Issues that the data raises are the need for clear understandable employee briefings at all stages throughout the process with avenues for one to one communication available to all employees if required. There will be a requirement on the Service Leads to ensure any employee support needed during these briefings for instance a signer supplied if appropriate. It will also be the Service Leads responsibility to ensure all employees within their service understand the key messages and have the opportunity to ask questions.

There have been a variety of communication channels set up to support employees through this process and enable employees to have their questions answered. There have been and will continue to be employee briefings at key stages throughout the Project. There is a One Barnet email address for employees to ask more adhoc questions, Q&A documents are posted on the

intranet and circulated to management following all briefings. The staff group has had their initial meeting and these will continue for the life of the Project. This group has been designed as an information sharing forum and have been requested to make themselves available for their colleagues to ask questions about the Project.

These communication channels will continue to shape and change depending on the needs of employees.

#### **4.1.2 End of dialogue one**

The detail is set out at Table 1. Issues that the data raises is that x group of employees has changed by x possible reasons are – consider positive and negative impacts

#### **4.1.3 Council re-organisation**

#### **4.1.4 Transfer Date**

The detail is set out at Table 1. *Issues that the data raises is that x group of employees has changed by x possible reasons are – consider positive and negative impacts*

### **4.2 Actions proposed**

#### **4.2.1 Identification of services in scope - EIA Iteration 12/05/11**

Please see section 4.1.1

#### **4.2.2 End of dialogue one**

#### **4.2.3 Council re-organisation**

#### **4.2.4 Transfer date**

### **5. Briefing, Sharing and Learning**

This table summarises the briefing activities. This EIA forms the primary briefing tool and has been shared as detailed below.

#### **Table 2**

Milestone Description	CDG	CRC	Overview and Scrutiny	Programme Office	People & Culture Workstream		
Identification of services in scope	06/11	29/06/11					
End of dialogue one							
Council re-organisation							
Transfer Date							



## **GMB Interim Response to New Support and Customer Services Business Case**

**The following report contains the key concerns of the GMB with the Business case for NSO/ CSO. In addition to the comments below we continue to have concerns over the issues raised in the Joint Trade Union response to the Options Appraisal for this project.**

1. There is an assumption throughout the report that where we are more expensive or performing worse than average, we can improve to that level with some investment. In the main this all seems to be planned to be completed before the outsource, so why can the council not spend half as much time/money investing/improving the in-house service and then fully benefitting from this rather than spending it on outside organisations and letting them benefit. The whole idea that we can match and improve on the average scores in all areas is also flawed in that it assumes that one council can be best at everything – it is good to have this as a goal but in reality different councils prioritise in different areas and therefore where they excel in some areas, they may do slightly less well in others.
2. If the financial predictions are correct then there must be some knowledge of how to make these savings and the process of getting there. This could be done in-house as opposed to generating profit for the private sector. Although the per annum saving looks big at around £3 million the prudent savings identified in table 6 and 7 overall only equate to a 7 – 8% saving over 10 years and the optimistic is still only 13%. Barnet has continued to make savings above this level year on year with the current in-house model so this is proven to work, whereas the suggested model of outsourcing is not guaranteed as cases of outsourced services throughout the country and indeed in Barnet being taken back in-house (post CCT) has shown. Yet other examples of where it has cost far more than anticipated exist in Barnet with Catalyst/ Freemantle and Connaught/ Barnet Homes. Also many of these savings will come about through an in-house transformation prior to transfer.
3. The section which outlines some of the '*potential*' benefits for staff (pps 14/15) has no mention of staff Terms and Conditions or pensions.
4. There are two further examples given of drivers for the need to seek a partnership with the private sector. The first of these is to realise economies of scale. First some of these economies of scale could be achieved in-house through a central procurement vehicle. This report suggests that this is being developed now but the savings from this will

never be realised as there will be no services left for it to carry out bulk procurement. Second economies of scale in Local Government could be achieved in a number of ways through Public/ Public partnerships. This could involve joint procurement of IT, fleet, stationary and other such consumables or to a further extreme through shared services. These options have not been explored fully. Although there may not be an appetite for this now if Barnet transforms internally with this goal in mind in the future this may be an option. This potential is identified in the report but rather than council tax payers benefiting from the rewards this will go to the private sector.

Another assumption for the Customer Services Organisation is that residents will want to shift to more self help and online services. Now this may be true for some transactions such as Council Tax payments and parking permits but it is unlikely to be a quick shift when it comes to enquiring about services or making a complaint. The recent survey of Barnet residents rated internet and email as very low in their choice of preferred option for this kind of contact while telephone was by far the highest. Now this may change over time but it is likely to take longer than the length of this contract. It could also be encouraged without the need to outsource.

5. There are two further issues within the report. The first is regarding the NSO and the fact that this will be a shrinking service as other One Barnet projects develop. This means that again the cost of this service will be driven down before outsourcing, thus reducing the need to do so.

The second is related to a key driver for the need to outsource in that the current spending review means we cannot continue to make savings as we are. However this is rightly identified as the last point in the table of Key Risks on p9. This identifies the need for flexibility in the contract to respond to a change in the funding level throughout the contract. There are two concerns over this GMB wish to identify, the first is that if we do not get the contract right we will end up paying far more than we can afford, the second is that this has no benefit over how things are at present!





**Interim Analysis of the Business Case  
New Support & Customer  
Services Project**  
London Borough of Barnet

## Introduction

The following are the five main headline comments on the Business Case for the New Support & Customer Services Project.

The comments are set in the context of our critical analysis of the CSO/NSO Options Appraisal, which we consider to be fundamentally flawed. It contained no in-depth analysis of the options other than subjective strengths and weaknesses; no assessment of costs and benefits and thus no value for money; no analysis of current trends and developments or a vision for the two organisations and how this fits into the future shape and functioning of the Council and public services in Barnet; no forecast of affordability; and equalities issues were not addressed. Risks were not fully identified and the appraisal did not address democratic accountability and transparency.

### 1. No organisational or operational vision

The Business Case does not contain an organisational and operational concept of the Customer Services Organisation or the New Support Organisation. There is no citizen needs perspective other than a desire to change citizen behaviour and achieve financial savings. There is no attempt to identify how consolidation of customer services across the Council (although no attempt is made to do so on a One Barnet basis) can be achieved at the same time as achieving 24%-30% financial savings. The level of demand for customer services, determined by a number of factors such as national and local economic conditions, the performance of services, accessibility of customer service channels and the quality of response, is not taken into account.

The effect of outsourcing is only partially taken into account with regard to the impact on the delivery of support services. This is a very serious omission. The effect of outsourcing the bulk of Council services will radically reduce its responsibility for support services over the next few years. Private contractors responsible for core council services are unlikely to be willing to subcontract their Barnet contract support services to another contractor on both operational and financial grounds. There is a strong case can be made that a web or layers of contracts, sub-contracts

Long lists of objectives are not a substitute for identifiable benefits and genuine evidence-based forecasts.

### 2. Failure to identify significant operational risks

The exclusive focus on procurement risks results in the Business Case failing to identify and address the operational risks that the project will encounter. These are real and significant risks that affect the Council, staff and service users. The purpose of a business case is not only to provide a detailed risk register but to identify and assess the full range of risks that the project will encounter both in procurement *and* operational stages.

### 3. Calculation of financial savings

The business case does not identify, even in general terms, what investment is likely to be required or how it will be financed. It assumes that that private sector will make “significant investment” (Strategic Fit, page 8). However, no private company is going to provide free investment to a local authority, so capital investment by the private sector will be ultimately financed by the Council.

The financial savings are reportedly based on benchmarking but no details are provided regarding data sources, authorities, services and comparability issues. Financial savings, calculated on the basis of ‘prudent’ and ‘optimistic’ improvement, are then used to identify service cost reductions. This approach is crude, based on assumptions about private sector performance and does not constitute acceptable

provision of the financial, economic and commercial content required of a business case.

#### **4. Lack of evidence and understanding of experience of similar contracts**

There is basic lack of evidence throughout the business case. It also fails to draw on the experience of over 45 strategic partnerships in local government in the past decade.

#### **5. Lack of impact on council staff**

The business case contains no profile of the potential impact of the new CSO/NSO organisation on staffing levels, nor of the effects of different levels of savings. The inevitable significant reduction in Council responsibility for support services could lead to compulsory redundancies in these services at the point of transfer and during the contract (simultaneous with 28% - 48% financial savings in Human Resources). The knock-on effects could include a further loss of jobs in the local economy as Council is work is relocated elsewhere and employment in support services is reduced.

### **References**

Barnet UNISON (2011) Critique CSO/NSO Options Appraisal, February, London.

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

London Borough of Barnet (2011) New Support & Customer Services Project: Business Case, May, London.



## New Support and Customer Services Organisation

### Response to Trade Union comments 31<sup>st</sup> May 2011

An embargoed copy of the draft business case was provided to trade unions on 19 May. A meeting between the trade unions and the project manager and sponsor took place on 18 May. On 20 May the council received two responses to the draft business case for the New Support and Customer Service Organisation, submitted individually by GMB and Unison. The trade unions limited their comments to their top five concerns as agreed in the People and Culture Group. The information below contains the comments made by both trade unions and the respective council responses.

#### Comment

*There is an assumption throughout the report that where we are more expensive or performing worse than average, we can improve to that level with some investment. In the main this all seems to be planned to be completed before the outsource, so why can the council not spend half as much time/money investing/improving the in-house service and then fully benefiting from this rather than spending it on outside organisations and letting them benefit. The whole idea that we can match and improve on the average scores in all areas is also flawed in that it assumes that one council can be best at everything – it is good to have this as a goal but in reality different councils prioritise in different areas and therefore where they excel in some areas, they may do slightly less well in others.*

#### Response

The aim of the council should be and is to provide the best value for money service. When considered against benchmarking data e.g. CIPFA and *best value* it identifies that there is scope to improve service in all areas. The business case states that investment is required across the support services and in the current financial climate, the council has to prioritise where it invests. The priority for investment is the core council services, e.g. Adult Social Services and Children's Service rather than support services.

By working with a specialist provider, the council will benefit from the increased expertise, experience and financial investment that a private provider is available to deliver. Staff that transfer, will be able to develop their skills by learning from this expertise, have access to greater job opportunities, and the potential to move roles geographically. Employees were briefed at the options appraisal stage, will have further briefings at the business case stage, and through the life of the procurement. These briefings provide staff with an opportunity to ask questions and have these questions answered.

#### Comment

*If the financial predictions are correct then there must be some knowledge of how to make these savings and the process of getting there. This could*

*be done in-house as opposed to generating profit for the private sector. Although the per annum saving looks big at around £3 million the prudent savings identified in table 6 and 7 overall only equate to a 7 – 8% saving over 10 years and the optimistic is still only 13%. Barnet has continued to make savings above this level year on year with the current in-house model so this is proven to work, whereas the suggested model of outsourcing is not guaranteed as cases of outsourced services throughout the country and indeed in Barnet being taken back in-house (post CCT) has shown. Yet other examples of where it has cost far more than anticipated exist in Barnet with Catalyst/ Freemantle and Connaught/ Barnet Homes. Also many of these savings will come about through an in-house transformation prior to transfer.*

### Response

The savings within the business case are based on a number of levers including the economies of scale a larger provider could provide, process automation, reduced customer contact and service consolidation. Savings have been produced in conjunction with relevant heads of service using their detailed input based on both knowledge of the council and understanding of their service. The business case sets out the broad expectation of the council in regard to achievable savings and an element of judgement is used in doing so. The business case will be updated during the procurement process and it is expected that competitive pressures on bidders will deliver the best outcome for the council. This outcome will be reflected in the final version of the business case at the close of the procurement.

To ensure a successful fit for purpose contract is achieved, the heads of service and senior managers are developing the output specifications to be used in the procurement. It is through the dialogue in procurement that the service leads will ensure the contract is appropriate. The service leads will update their direct reports on the progress of these output specifications in team meetings.

### Comment

*The section which outlines some of the 'potential' benefits for staff (pps 14/15) has no mention of staff Terms and Conditions or pensions.*

### Response

Any procurement exercise that involved an employee transfer would follow TUPE, the Transfer of Undertakings (Protection of Employment) Regulations 2006. This is the legislation surrounding the transfer of employees to a new employer. This is known as a TUPE transfer and occurs when a business, or roles within a business, are transferred to another organisation. There is no option to opt out of TUPE for the employer or employee. TUPE relates to protection of employment, and ensures employees are informed about the transfer, are employed by the new employer and have employment treated as continuous, transfer on existing terms and conditions of employment, and are consulted about any

'measures' (significant or contractual changes) that the incoming employer intends to take at the time of the transfer.

### Comment

*There are two further examples given of drivers for the need to seek a partnership with the private sector. The first of these is to realise economies of scale. First some of these economies of scale could be achieved in-house through a central procurement vehicle. This report suggests that this is being developed now but the savings from this will never be realised as there will be no services left for it to carry out bulk procurement. Second economies of scale in Local Government could be achieved in a number of ways through Public/ Public partnerships. This could involve joint procurement of IT, fleet, stationary and other such consumables or to a further extreme through shared services. These options have not been explored fully. Although there may not be an appetite for this now if Barnet transforms internally with this goal in mind in the future this may be an option. This potential is identified in the report but rather than council tax payers benefiting from the rewards this will go to the private sector.*

*Another assumption for the Customer Services Organisation is that residents will want to shift to more self help and online services. Now this may be true for some transactions such as Council Tax payments and parking permits but it is unlikely to be a quick shift when it comes to enquiring about services or making a complaint. The recent survey of Barnet residents rated internet and email as very low in their choice of preferred option for this kind of contact while telephone was by far the highest. Now this may change over time but it is likely to take longer than the length of this contract. It could also be encouraged without the need to outsource.*

### Response

The procurement service is in the process of consolidating staff that carry out procurement activities. This will provide those staff with professional development and greater experience and exposure to different types of procurement. The council will then transfer a centralised service to a provider to drive further improvements and efficiencies through a gain share mechanism based on third party spend.

The Chief Executive wrote to all London Councils in 2010 about this project, to assess the appetite for a joint procurement process, this did not yield any other interested boroughs. The council expects a provider to utilise current and emerging frameworks to benefit from further economies of scale. The procurement savings are now reflected in the new tables in appendix B of the business case which identifies the gain share savings from third party spend.

The council is not currently able to provide a website which has sufficient functionality to allow residents to deal with their requirements at a time of their choosing (i.e. outside of core operating hours). It is expected that an

improved website would increase the channel shift and residents perception of the council. However, this is not something that staff have previously highlighted in any of their briefings.

#### Comment

*There are two further issues within the report. The first is regarding the NSO and the fact that this will be a shrinking service as other One Barnet projects develop. This means that again the cost of this service will be driven down before outsourcing, thus reducing the need to do so.*

*The second is related to a key driver for the need to outsource in that the current spending review means we cannot continue to make savings as we are. However this is rightly identified as the last point in the table of Key Risks on p9. This identifies the need for flexibility in the contract to respond to a change in the funding level throughout the contract. There are two concerns over this GMB wish to identify, the first is that if we do not get the contract right we will end up paying far more than we can afford, the second is that this has no benefit over how things are at present!*

#### Response

The business case includes a description and representation of the changing make up of the council in section 5.6. This takes into account the changes as a result of current One Barnet projects and the Medium Term Financial Strategy. The service delivered by a provider will be designed with the flexibility to mould to the changing shape of the council over the coming years. If the support services remained in house then the result of a reducing council requiring support would mean that redundancies would likely have been unavoidable. Transferring the services to a specialist provider will provide greater development opportunities for staff and given the size of these organisations, potentially provide opportunities to work across contracts and offer more job opportunities than the council would be able to offer. Should redundancies become unavoidable then there would a larger redeployment pool and the council would strongly encourage this path prior to any compulsory redundancies being made.

To ensure we deliver a fit for purpose contract, the heads of service and senior managers are developing the output specifications to be used in the procurement. These output specifications will also be reviewed by key members of staff from customer departments such as Adult Social Services and the Children's Service to ensure they are fit for purpose. It is through the dialogue in procurement that the service leads will ensure the contract is appropriate. The service leads will update their direct reports on the progress of these output specifications in team meetings. This should provide employees with some comfort that the future operating model has been designed appropriately by those who understand the service.

#### Comment

*The Business Case does not contain an organisational and operational concept of the Customer Services Organisation or the New Support*



*Organisation. There is no citizen needs perspective other than a desire to change citizen behaviour and achieve financial savings. There is no attempt to identify how consolidation of customer services across the Council (although no attempt is made to do so on a One Barnet basis) can be achieved at the same time as achieving 24%-30% financial savings. The level of demand for customer services, determined by a number of factors such as national and local economic conditions, the performance of services, accessibility of customer service channels and the quality of response, is not taken into account.*

*The effect of outsourcing is only partially taken into account with regard to the impact on the delivery of support services. This is a very serious omission. The effect of outsourcing the bulk of Council services will radically reduce its responsibility for support services over the next few years. Private contractors responsible for core council services are unlikely to be willing to subcontract their Barnet contract support services to another contractor on both operational and financial grounds. There is a strong case can be made that a web or layers of contracts, sub-contracts*

*Long lists of objectives are not a substitute for identifiable benefits and genuine evidence-based forecasts.*

#### Response

It has been noted that business case requires further work on the strategic aim of the council, work continues on this and it will be present in the final version. The consolidation and transformation of customer services is being undertaken by the Customer Services Transformation Programme. This project will be delivering a separate business case for this work. It is a separate project although it has close interdependencies to this one.

The business case includes a description and representation of the changing make up of the council in section 5.6. This takes into account the changes as a result of current One Barnet projects and the Medium Term Financial Strategy. The service delivered by a provider will be designed with the flexibility to mould to the changing shape of the council over the coming years.

#### Comment

*The exclusive focus on procurement risks results in the Business Case failing to identify and address the operational risks that the project will encounter. These are real and significant risks that affect the Council, staff and service users. The purpose of a business case is not only to provide a detailed risk register but to identify and assess the full range of risks that the project will encounter both in procurement and operational stages.*

#### Response

A risk register is held by the project team and the One Barnet programme office, only the key risks are highlighted in the business case. As the purpose of the business case is to identify the case to carry out procurement process, the risks associated with this process are

highlighted. The transformation and mobilisation of the new contract will work to ensure the smooth transfer of staff and service provision. This will be set up as an individual project that will hold standard project documents including a project risk register.

#### Comment

*The business case does not identify, even in general terms, what investment is likely to be required or how it will be financed. It assumes that that private sector will make “significant investment” (Strategic Fit, page 8). However, no private company is going to provide free investment to a local authority, so capital investment by the private sector will be ultimately financed by the Council.*

*The financial savings are reportedly based on benchmarking but no details are provided regarding data sources, authorities, services and comparability issues. Financial savings, calculated on the basis of ‘prudent’ and optimistic’ improvement, are then used to identify service cost reductions. This approach is crude, based on assumptions about private sector performance and does not constitute acceptable provision of the financial, economic and commercial content required of a business case.*

#### Response

The business case provides the figure associated with the cost of change to the council during the procurement process. This includes service transformation costs, with the exception of Customer Service Transformation which will be included in the appropriate business case. The council understands that capital investment is not free but it needs to be recognised that the council does not have the available capital to invest in these services in the coming years. The expectation is that budgets will be reduced further by central government given the current financial climate. The council expects a provider to invest in the services and the cost to the council of this investment will be something that is negotiated in the competitive dialogue discussions.

The savings within the business case are based on a number of levers including the economies of scale a larger provider could provide, process automation, reduced customer contact and service consolidation. Savings have been produced in conjunction with relevant heads of service using their detailed input, based on both knowledge of the council and understanding of their service. The business case sets out the broad expectation of the council in regard to achievable savings and an element of judgement is used in doing so. The business case will be updated during the procurement process and it is expected that competitive pressures on bidders will deliver the best outcome for the council. This outcome will be reflected in the final version of the business case at the close of the procurement.

### Comment

*There is basic lack of evidence throughout the business case. It also fails to draw on the experience of over 45 strategic partnerships in local government in the past decade.*

### Response

The business case has two key aims:

- to identify the non-financial benefits for the council staff and customers
- to demonstrate the financial savings against each service area involved and how the combined savings are then profiled over a ten year contract.

The development of the output specifications is the appropriate place to consider learnings from other outsourced services. To ensure a successful fit for purpose contract is achieved, the heads of service and senior managers are developing the output specifications to be used in the procurement. These output specifications will also be reviewed by key members of staff from customer departments such as Adult Social Services and the Children's Service to ensure they are fit for purpose. It is through the dialogue in procurement that the service leads will ensure the contract is appropriate. The service leads will update their direct reports on progress of these output specifications in team meetings. This should provide employees with some comfort that the future operating model has been designed appropriately by those who understand the service.

### Comment

*The business case contains no profile of the potential impact of the new CSO/NSO organisation on staffing levels, nor of the effects of different levels of savings. The inevitable significant reduction in Council responsibility for support services could lead to compulsory redundancies in these services at the point of transfer and during the contract (simultaneous with 28% - 48% financial savings in Human Resources). The knock-on effects could include a further loss of jobs in the local economy as Council work is relocated elsewhere and employment in support services is reduced.*

### Response

The business case includes a description and representation of the changing make up of the council in section 5.6. This takes into account the changes as a result of current One Barnet projects and the Medium Term Financial Strategy. The service delivered by a provider will be designed with the flexibility to mould to the changing shape of the council over the coming years. If the support services remained in house then the result of a reducing council requiring support would mean that redundancies would likely have been unavoidable. By transferring the services to a specialist provider, it will provide greater development opportunities for staff and given the size of these organisations potentially provide opportunities to work across contracts and offer more job opportunities than the council would be able to offer. Should redundancies become unavoidable then

there would a larger redeployment pool and the council would strongly encourage this path prior to any compulsory redundancies being made.

The Spending Review announced reductions in government support to local authorities of 26 per cent over the next four years. The council has consulted on savings proposals to reduce the funding gap of £53m affecting Barnet Council over the next three years. Any future provider will be expected to present their proposals to continue to meet the reductions committed to during this period.