

MEETING

CABINET RESOURCES COMMITTEE

DATE AND TIME

WEDNESDAY 29 JUNE 2011

AT 7.00PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Daniel Thomas

Brian Coleman Andrew Harper Robert Rams
Richard Cornelius Sachin Rajput

**You are requested to attend the above meeting for which an agenda is attached.
Aysen Giritli – Head of Governance**

Governance Service contact: Jeremy Williams, 020 8359 2042

Media Relations contact: Sue Cocker, 020 8359 7039

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CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

Item No.	Title of Report	Pages
1.	MINUTES	-
2.	ABSENCE OF MEMBERS	-
3.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-
4.	PUBLIC QUESTION TIME (If any)	-
	Reports of the Cabinet Member for Resources and Performance	
5.	Final Out-Turn and Performance Report 2010/11	1 - 50
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	Report of the Cabinet Member for Resources and Performance / Cabinet Member for Customer Access and Partnerships	
7.	New Support and Customer Services Organisation Business Case	69 - 76
	Report of the Cabinet Member for Environment	
8.	Novation of a Contract for Highways (Highways Planned Maintenance & Improvements Contract 2007-12)	77 - 80
9.	Novation of two highways contracts (The Highways Planned Maintenance & Improvements Contract 2007-12 and The Highways Term Maintenance Contract 2007-12).	81 - 84
	Report of the Leader of the Council	
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11.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	

13.	<p>MOTION TO EXCLUDE THE PRESS AND PUBLIC:</p> <p>That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 9 of Part 1 of Schedule 12A of the Act (as amended):</p> <p>EXEMPT AGENDA</p> <p style="text-align: right;">Exemption Category</p>	
X1.	<p>Exempt information in relation to item 10 in public session – Grahame Park Area Regeneration Project</p> <p style="text-align: right;">3</p>	X1 – X5
X2.	<p>ANY OTHER EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT</p>	

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AGENDA ITEM: 5	Pages 1 – 50
Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	Final Outturn and Performance Report 2010/11
Report of	Cabinet Member for Resources and Performance
Summary	To consider the Final Outturn and Performance Report for 2010/11 and instruct officers to take appropriate action.
Officer Contributors	Maria G. Christofi – Assistant Director, Financial Services Anisa Darr – Finance Manager, Closing & Monitoring
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Performance Report Appendix B – 2010/11 Revenue Outturn Position Appendix C – 2010/11 Capital Outturn Position Appendix D – Special Parking Account
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable
Contact for further information:	Anisa Darr, Finance Manager, Closing & Monitoring, 020 8359 7106

1. RECOMMENDATIONS

- 1.1 That the 2010/11 Performance Report, Revenue Budget and Capital Outturn position be noted.**
- 1.2 That the Capital approvals and slippage of £15.820m as outlined in tables 9 & 10 be approved.**
- 1.3 That Directors take appropriate action to improve performance against those corporate performance, Human Resources (HR), project and risk measures where Q4 performance remains a challenge (Sections 9.2, 9.3, 9.11 and Appendix A).**
- 1.4 That the Earmarked Reserves and Provisions contained in table 7 be noted.**
- 1.5 That the Final Special Parking Account be noted in Appendix D.**
- 1.6 That the Barnet Homes leaseholder contributions in table 11 be noted.**
- 1.7 That Provision for Bad Debt position contained in table 12 be noted.**
- 1.8 That the Agency Staff costs for the financial year 2010/11 in table 13 be noted.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Council, 2 March 2010 (Decision item 145) – approved the Council Budget and Council Tax 2010/11.
- 2.2 Cabinet Resources Committee, 17 June 2010 (Decision item 18) – approved the Outturn 2009/10.
- 2.3 Cabinet Resources Committee, 19 July 2010 (Decision item 11) – approved Monitoring 2010/11.
- 2.4 Cabinet Resources Committee, 2 September 2010 (Decision item 10) – approved Monitoring 2010/11.
- 2.5 Cabinet, 6 September 2010 (Decision item 12) – approved the Investment Strategy to meet Primary School Places.
- 2.6 Cabinet Resources Committee, 30 November 2010 (Decision item 8) – approved Monitoring 2010/11.
- 2.7 Cabinet, 10 January 2010 (Decision item 7) – approved virements over £1m.
- 2.8 Council, 25 January 2010 (Decision item 5.1) – approved virements over £1m.
- 2.9 Council, 1 March 2011 (Decision item 5.1.2) – approved the Council Budget and Council Tax 2011/2012
- 2.10 Cabinet Resources Committee, 2 March 2011 (Decision item 15) – approved Monitoring 2010/11.
- 2.11 Cabinet Resources Committee, 21 April 2011 (Decision item 5) – approved the Provisional Outturn Report 2010/11.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Robust budget and performance monitoring are essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.
- 3.2 'Maximise improvements and savings in 'back office' functions' and 'Make sure we get best value from resources across the public sector, including our people and assets' represent two of the eight key objectives underlying the corporate priority 'Better services with less money' and the strategic objectives.
- 3.3 Relevant Council strategies and policies include the following:
- Corporate Plan 2011-13;
 - Medium Term Financial Strategy;
 - Treasury Management Strategy;
 - Debt Management Strategy;
 - Insurance Strategy;
 - Risk Management Strategy; and
 - Capital, Assets and Property Strategy.

4. RISK MANAGEMENT ISSUES

- 4.1 The revised forecast level of balances needs to be considered in light of the risks identified in 4.2 below.
- 4.2 Various projects within the Council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other Council priorities will be required.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Financial monitoring is important in ensuring resources are used to deliver equitable services to all members of the community.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, ICT, Property, Sustainability)

- 6.1 Robust budget and performance monitoring plays an essential part in enabling an organisation to deliver its objectives efficiently and effectively.
- 6.2 Use of Resources implications are covered within Section 9 of the body of the report and in the attached appendices.

7. LEGAL ISSUES

- 7.1 None arise over and above those referred to within the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 The Council's Constitution, in Part 3, Responsibility for Functions, states in paragraph 3.6 the functions of the Cabinet Resources Committee including:

- (a) Monitor the trading position of appropriate Council services, carry out debt analysis and look at income sources and charging policies;
- (b) To write off debt;
- (c) To determine external or cross-boundary trading limit; and
- (d) Approval of schemes not in performance management plans but not outside the Council's budget or policy framework.

8.2 Financial Regulations section 4.17 states the Chief Finance Officer will report in detail to Cabinet Resources Committee at least four times a year on the revenue and capital budgets and wider financial standing in addition to two summary reports at the beginning and end of the financial year.

9. BACKGROUND INFORMATION

9.1 2010/11 Revenue Monitoring

9.1.1 Table 1 gives a summary of the 2010/11 final outturn analysis compared to the revised budget position (excluding schools). A breakdown of revenue monitoring by each service directorate is set out in Appendix B.

Table 1: 2010/11 Revenue Outturn Analysis – Summary

Description	Revised Budget £000	Final Outturn 2010/11 £000	Final Outturn Variation £000	Provisional Outturn Variation £000	Change £000
Adults	95,819	95,819	-	131	(131)
Central Expenses	52,645	51,081	(1,564)	(3,663)	2,099
Chief Executive	12,016	11,620	(396)	57	(453)
Childrens Services (Net of DSG)	46,926	47,020	94	879	(785)
Commercial Services	15,806	15,786	(20)	481	(501)
Corporate Governance	5,869	5,706	(163)	(129)	(34)
Deputy Chief Executive	12,581	12,573	(8)	-	(8)
Environment & Operations	23,096	25,934	2,838	2,415	423
Planning, Housing & Regeneration	2,428	2,051	(377)	-	(377)
Total 2010/11 General Fund Forecast	267,186	267,590	404	171	233
Area Based Grant	(20,086)	(20,492)	(406)	-	(406)
Aggregate External Finance	(94,556)	(94,556)	-	-	-
Collection Fund Surplus	(1,998)	(1,998)	-	-	-
Council Tax (Collection Fund Transfers)	(153,005)	(153,005)	-	-	-
Reserves	2,461	2,461	-	-	-
Use of Balances	2	-	(2)	171	(173)
General Fund Balance @ 1/4/10	(15,780)	(15,780)			
General Fund Balance @ 31/3/11	(15,778)	(15,780)			

9.1.2 The Council's overall position has come in on budget at the end of 2010/11. The Council's level of balances remains at £15.780m which is in excess of the target of £15m.

Environment and Operations remains a specific area of concern. A shortfall of income on the Special Parking Account has put pressure on the service throughout the year. However, the parking recovery plan is on track in 2011/12 to achieve improved service and income levels.

Table 3 of this report provides the Provisional Outturn position and the Final Outturn position in preparation for the Statement of Accounts. Comments are provided where there are variances between the positions.

9.2 Year end performance against the 2010/11 Corporate Plan Targets

- 9.2.1 The number of Corporate Plan performance targets reporting data increased by 1 in the final quarter to 33 in total, 17 of which were met (51.5%) and 16 of which were missed (48.5%). The total number of missed targets has increased by three since quarter 3. This includes five indicators that have been newly missed in quarter 4, having been green in quarter 3, and two indicators that have turned from red to green in quarter 3.
- 9.2.2 Two of the newly missed targets are owned by the Commercial Services Directorate - % of contracts held by the Council that have been reviewed, and the % of contracts deemed to require renegotiation have commenced renegotiation and two are customer services targets - answering customers' calls within 20 seconds and emails within 10 days. The final target to go from green to red is the % of services that are in the high performance/low spend quadrant of the Capital Ambition Value for Money analysis. The only indicator that has not been reported but which was expected is '% customers satisfied with contact centre telephone service by corporate customer services', which has consequently been rated as a red.
- 9.2.3 London benchmarking data against 29 performance indicators has just been released by Capital Ambition. Barnet is currently performing above the London average on 20 of the 29 indicators. The six indicators where Barnet is amongst the lowest performing quartile of London boroughs are: % *children having a child protection plan for a 2nd or subsequent time*, % of vulnerable people supported to maintain independent living, *the number of households living in temporary accommodation*, *kg of residual waste per household*, % land that has unacceptable levels of detritus and % land that has unacceptable levels of graffiti. The indicators in italics are in the Corporate Plan for 2011-12.
- 9.2.4 A summary of performance against corporate priorities can be found in Appendix A. Detailed performance reports for each council directorate are published on the council's website here: <http://barnet.gov.uk/cp-annual-performance-monitors.htm>.

9.3 Performance on HR / People measures

- 9.3.1 The average sickness absence per employee has remained unchanged since quarter 3 at 7.8 days, missing the 6 days target. The CIPFA average for councils is 9 days. The percentage of managers submitting a monthly absence returns still remains problematic with only 59% completing this task. The service with the highest annual level of sickness is Environment and Operations with 11.5 days and the lowest is Planning, Housing and Regeneration with 6.4 days. Long-term sick management has successfully reduced the Council's cases by 23% (64 cases to 49 cases).

9.4 General Fund balances

Table 2: General Fund Balances

	£'000
General Fund Balances b/fwd 1 April 2010	(15,780)
Budgeted Use of Balances	2
Outturn Variation	(2)
General Fund Balances 31st March 2011	(15,780)

9.5 Variance from Provisional Outturn Report

Table 3: Details of changes since Provisional Outturn Report

Service	Final Outturn 10/11 Variance	Provisional Outturn 10/11 Variance	Change	Comment
Adults	-	131	(131)	Non recurrent income received, achieved through better income management.
Central Expenses	(1,564)	(3,663)	2,099	Potential drawdown of contingency not called on, Redundancy costs were lower due to the reduction in the number of redundancies and reduced capital financing costs some of these was offset by overspend due to grant cuts.
Chief Executive	(396)	57	(453)	Higer savings than expected from installation of GSM gateway for telephone calls. Provisional outturn included earmarked reserves that had been applied for but that were subsequently turned down. Registrars - income higher than forecast. Libraries underspend on salaries and building costs. Adjustment for project management costs paid from capital budget.
Children's Services	94	879	(785)	Variance mainly due to additional BRSI underspends alongside transport savings due to the new contract which commenced in November 2010. Vacancies held to offset overspends in the Children's Service and pending budget savings for 2011/12.
Commercial Services	(20)	481	(501)	IS spend delayed / change in expected costs in year for NLBP buildings / some specific property costs attributed to Reperation service.
Corporate Governance	(163)	(129)	(34)	Additional income received in Legal and CAFT offset by increased court costs in CAFT.
Deputy Chief Executive Environment & Operations	(8) 2,838	- 2,415	(8) 423	Adverse movement from Provisional Outturn due to lower than forecast recovery of staffing costs from Capital projects within both Highways and Parking Design and lower than anticipated PCN debtor. However higher Permitting income and reduced support service recharges have lessened the overall impact.
Planning, Housing & Regeneration	(377)	-	(377)	Improved income received on cem&crem, planning applications, and building control fees, as well as additional income received from rent and services on B&B properties, offset by increased security and insurance costs at BLH.
Total	404	171	233	

9.6 Housing Revenue Account

9.6.1 The Housing Revenue Account (HRA) has reported an under spend of £0.087m in 2010/11. This surplus is transferred to HRA balances and has resulted in a balance at 31st Mar 2011 of £4.230m.

Table 4: Housing Revenue Account - 2010/11 Outturn Analysis

	Forecast outturn as at 28/02/2011	Change since 28/02/2011	Outturn as at 31/03/2011
	£000	£000	£000
2010/11 Housing Revenue Account Outturn	(662)	575	(87)
Allocations agreed from HRA balances	-	-	-
HRA balance as at 01/04/2010	(4,143)	-	(4,143)
Projected balances at 31/03/2011	(4,805)	575	(4,230)

9.7 School Balances

9.7.1 The balances held by schools, net of outstanding loans to the General Fund have increased by £2.827m to £14.728m as at 31/03/11.

Table 5: Balances held by Schools

Balances held by Schools under delegated schemes	As at 31/03/2010 £'000	As at 31/03/2011 £'000	Increase/ (Decrease) £'000
Nursery	394	540	146
Primary	7,450	8,674	1,224
Secondary	4,083	5,121	1,038
Special	484	609	125
Total	12,411	14,944	2,533
Less outstanding General Fund advances to Schools	(510)	(216)	294
Net Position	11,901	14,728	2,827

9.8 Dedicated Schools Grant

9.8.1 The Dedicated Schools Grant Outturn position for 2010/11 shows that there was no variation

Table 6: Dedicated Schools Grant

Description	Revised Budget £000	Final Outturn 2010/11 £000	Final Outturn Variation £000	Provisional Outturn Variation £000	Change
Dedicated Schools Grant	(404)	(404)	-	(1,276)	1,276

9.9 Table 7: Provisions and Earmarked Reserves

	B/FWD 31/03/10 £000	Expenditure 2010/11 £000	Written back to Revenue £000	Additions Approved £000	C/FWD 31/03/11 £000
Provisions	16,095	(2,158)	(5,264)	10,435	19,108
Risk Reserve	11,415	(719)	(2,500)	5,024	13,220
Transformation Reserve	3,490	(4,706)	-	10,612	9,396
PFI (Street Lighting)	5,103	(2,509)	-	974	3,568
Housing Benefit Admin	3,286	(418)	-	1,700	4,568
ICT/Systems related	1,423	(581)	(1,754)	1,164	252
Other	7,849	(3,477)	(2,637)	7,774	9,509
Total Earmarked Reserves	32,566	(12,410)	(6,891)	27,248	40,513

9.10 2010/11 Capital programme Outturn Summary

9.10.1 Total expenditure during 2010/11 on the Council's Capital programme was £84.332m, most of which is being spent on Schools and other Children's related projects (£43.563m). This compares to a total spend of £115.546m in 2009/10. Table 8 summarises the expenditure by each service.

Table 8: Capital Programme Position

Service	£000
Adults Services	1,052
Central Expenses	912
Children's Service	43,563
Corporate Governance	94
Environment & Operations	10,553
Commercial Services	2,360
Chief Executive	110
Deputy Chief Executive	314
Planning, Housing & Regeneration	7,649
Non-HRA Total	66,607
Housing (HRA)	17,746
Grand Total	84,353

9.10.2 A summary of slippage for which approval is sought (Recommendation 1.2) is shown in table 9, with a detailed breakdown shown in Appendix B.

9.10.3 Subject to approval, slippage will be rolled forward to 2011/12 in order to fund the continuation of programmes.

Table 9: Capital Programme approvals

Capital Programme Description	£000
Adult Social Services	
Mental Health and Adults Personal Social Services Allocations	425
Central Expenses	
Capitalised Redundancies	(3,588)
Children's Services	
Schools Access Initiatives	(53)
Schools Modernisation & Access Improvement Programmes	(2,122)
Urgent Primary Places	(233)
Surestart Programme	(191)
Major School Rebuild Total	(242)
Primary Schools Capital Investment Programme	(67)
East Barnet Schools Rebuild	(71)
Other Schemes	(2,210)
Capital Schemes Managed by Schools	
Capital Schemes Managed by Schools	695
Corporate Governance	
Corporate Governance Projects	93
Environment & Operations	
Recycling Schemes	(22)
Closed Circuit Television in Town Centres	(84)
Other Environment & Transport Schemes	(402)
Highways Schemes	(4,740)
Commercial Services	
Commercial Services	(1,456)
Chief Executive Services	
Chief Executive Services	(158)
Deputy Chief Executive Services	
Deputy Chief Executive Services	(171)
Housing - General Fund	
General Fund Regeneration	(620)
Disabled Facilities Projects	59
Housing Management System	5
Other Projects	(152)
Housing - HRA	(516)
Total Capital Programme	(15,820)

9.10.4 In addition to approval sought within this report for slippage, approval has already been granted by the Cabinet Resources Committee throughout the year to reschedule expenditure on various capital projects into 2011/12. By considering these approvals alongside the approvals sought within this report, an assessment of the overall picture of capital programme performance during 2010/11 can be made.

Table 10: Capital Programme Slippage

Service Area	Original Budget (including prior years slippage)	In-year Slippage	In-year Additions/ Deletions	Current Budget	Actual Spend	Outturn Slippage	Total Slippage (In-year plus Outturn)
	£000	£000	£000	£000	£000	£000	£000
Adult Social Services	1,367	(844)	104	627	1,052	425	(419)
Central Expenses	4,500	-	-	4,500	912	(3,588)	(3,588)
Childrens Services	73,814	(16,319)	(14,984)	42,511	37,323	(5,188)	(21,507)
Capital Schemes Managed by Schools	4,701	-	845	5,546	6,240	694	694
Corporate Governance	31	(30)	-	1	94	93	63
Environment & Operations	16,099	(1,144)	845	15,800	10,553	(5,247)	(6,391)
Commercial Services	7,147	(2,932)	(400)	3,816	2,360	(1,456)	(4,388)
Chief Executive Services	268	(465)	465	268	110	(158)	(623)
Deputy Chief Executive Services	826	(341)	-	485	314	(171)	(512)
Housing - General Fund	8,283	(5,577)	5,651	8,357	7,649	(708)	(6,285)
General Fund Programme	117,036	(27,652)	(7,474)	81,911	66,607	(15,304)	(42,956)
Housing -HRA	23,672	(6,241)	830	18,261	17,746	(515)	(6,756)
Total Capital Programme (Including Schools Implemented)	140,708	(33,893)	(6,644)	100,172	84,353	(15,820)	(49,712)

9.11 Performance on Key Projects, including those in the One Barnet programme

9.11.1 There are 34 key projects that reported progress in quarter four. Of these, only three reported red for their current status. These are:

- Pericles replacement (Deputy Chief Executive's Service)
- Highways master programme (Environment and Operations)
- CSO Transformation (Commercial Service)

9.12 Barnet Homes Leaseholder Contributions

9.12.1 Barnet Homes collects Leaseholder contributions to help finance improvements and major works in the council's social housing stock. Over the past 6 months there have been a number of 'start of works' invoices raised (in particular for Granville Road Tower Blocks) which are valued at 90% of the total estimated works value. 'Start of works' billing only started at the latter end of 2009/10, hence the increase in the major works debt in 2010/11. This is detailed in Table 11 below.

Table 11: Leaseholder – Major Works Debt Comparison

Age of Debt	As at 31/03/10 £000	As at 31/03/11 £000
Under 6 months	1,109	1,820
Between 6 months and 1 year	749	468
Over 1 year	826	904
Total	2,684	3,193

9.13 Provision for Bad Debt

9.13.1 The Bad Debt provision as at 31 March 2011 stands at £18.344m. This reflects the estimated proportion of all short-term debt which, based on historical loss experience, will not be recovered. A breakdown of this figure is shown in table 12 below.

Table 12: Provision for Bad Debt

Area	2009/10 Provision Required Balance B/FWD	2010/11 Provision Required Balance C/FWD	Movement	Write offs/special adjustments	Variance %
	£000	£000	£000	£000	£000
Planning	88	97	9	(65)	10%
Housing (General fund)	6,639	4,151	(2,488)	(3,025)	-37%
Adult Social Services	1,770	741	(1,031)	(1,189)	-58%
Corporate Services	293	102	(191)	(297)	-65%
Environment & Operations	350	269	(80)	(160)	-23%
Childrens And Education	126	127	2	(50)	2%
General Fund Total	9,266	5,487	(3,779)	(4,786)	-41%
HRA Total	1,654	1,822	169	(478)	10%
Collection Fund Total	11,225	11,035	(190)	-	-2%
Grand Total	22,145	18,344	(3,800)	(5,264)	-17%

9.14 Agency Staff

9.14.1 Table 13 shows a service breakdown of all Agency Staff in the financial year 2010/11 procured through Hays tempdesk.

Table 13: Agency Staff Costs

Service	Qtr 1 Agency Spend	Qtr 2 Agency Spend	Qtr 3 Agency Spend	Qtr 4 Agency Spend	Total
	£	£	£	£	£
Adult Social Services	471,086	432,085	438,876	286,927	2,786,862
Chief Executive's Service	85,347	84,218	55,040	56,942	477,747
Children's Service	620,824	588,781	616,518	579,272	4,189,966
Commercial	348,093	314,808	193,322	191,143	1,746,639
Corporate Governance	55,134	52,007	38,175	60,215	355,928
Deputy Chief Executive	289,695	269,194	261,282	304,061	1,958,768
Environment & Operations	408,392	417,781	435,982	384,888	2,885,694
Planning, Housing and Regeneration	181,796	160,123	131,198	118,945	1,002,328
Grand Total	2,460,367	2,318,997	2,170,393	1,982,393	8,932,150

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – MM

CFO – MC/JH

Performance report, Quarter Four, 2010-11

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1. Corporate performance overview

1.1 Corporate performance dashboard

The methodology for calculating these health ratings is contained in appendix 8 of this report.

Directorate	Revenue budget actual variance £'000	Capital actual variance £'000	Corporate Plan performance	HR/People	Key project rating
Adult Social Services	-	425	-1	-3	3
Children's Service	94	(5,188)	1.5*	-2	6
Environment & Operations	2,838	(5,247)	2	-3	-0.5
Planning, Housing & Regeneration	(377) HRA (87)	(708) HRA (516)	-1.5	-0.5	1.5
Commercial Services	(20)	(1,456)	-0.5	-1	3
Deputy Chief Executive's Service	(8)	(171)	0	-1	-1
Chief Executive's Service (incl. Customer Services & Libraries)	(396)	(158)	-2	-3	No key projects
Corporate Governance	(163)	93	5	-0.5	No key projects
Central Expenses	(1,564)	(3,588)	n/a	n/a	n/a
Totals¹	GF 404	GF (15,304)	0	-6	2.5

¹ Organizational totals are based on a simple sum of overall RAG ratings for each service, where each colour is given a number e.g. green equals 1, red equals -1 as set out in appendix 8.*

* This includes all the children's indicators for which we have data for this year rather than just Quarter 4 results as is the case with all other services

1.2 Top corporate achievements, issues and actions

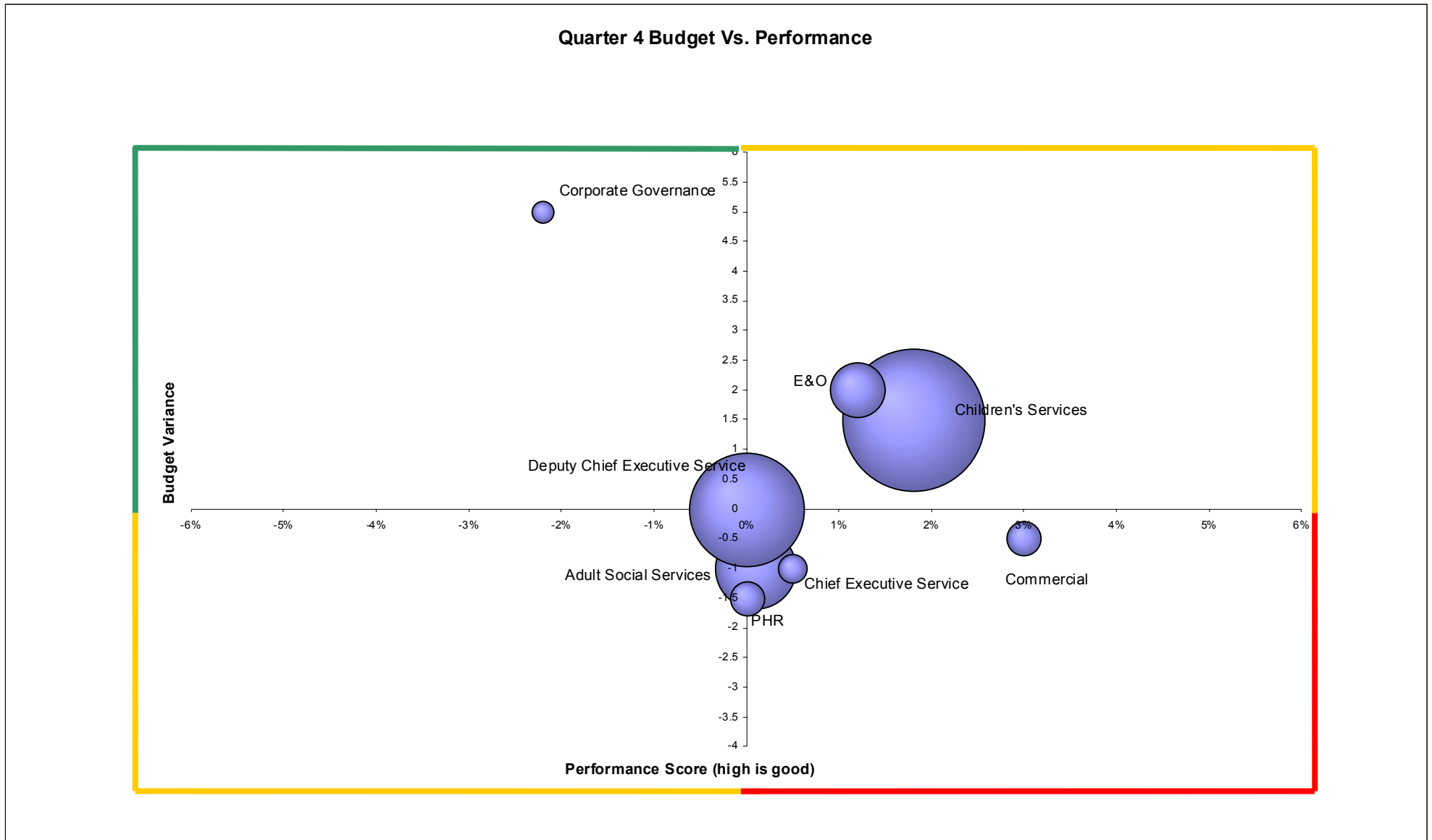
Affecting the customer experience

Achievements	Issues	Actions needed
<ul style="list-style-type: none"> • Successful ‘Safer families’ pilot, (domestic violence) – with only 1% of cases escalated to social care as a result of a domestic violence incident during or after the project. • Cabinet endorsement of the library strategy (29 March) setting out a clear and positive direction for the service, subject to consultation. • Work with residents in litter hot spot areas to develop an “Adopt a Street” collaborative working model with the Council- Following this Ravensdale Resident’s Association has formally agreed to adopt their street. 	<p>Increased footfall and pressure on customer services staff at face to face sites and telephones with increased Housing Benefits footfall and telephone enquiries following delayed implementation of the new system. This combined with the impact of required training has led to the telephone performance in the Corporate Contact Centre dropping in quarter 4</p>	<p>Monthly meetings set up with Housing Bens face to face and telephone managers to share information, resolve issues and mitigate risks and signposting customers to Community Legal for support where appropriate. Paper outlining short term response in order to improve customer experience coming to CDG in May.</p>
	<p>Sustained increased number of referrals to children’s social care. This is impacting on the timeliness of assessments on cases referred into the service</p>	<p>Recruit family intervention practitioners and the new family support service for 2011/12 through the One Barnet (including Community Budget) projects. Review referral processes and broaden our work with partner organisations to identify and support those families most at risk of adverse outcomes.</p>
	<p>Dealing with the deterioration of carriageways due to the impact of the severe winter weather.</p>	<p>Align budget with the need to improve the carriageway.</p>

Affecting council efficiency and value for money

Achievements	Issues	Actions needed
<ul style="list-style-type: none"> • Professionally managed headcount reduction for the 2011/12 budget. The redundancies were reduced from 345 to 194 and we achieved 9 months salary cost against a target of 18 months • Parking enforcement activity levels reached the required level of approximately 2500 penalty charge notices per week in Qtr 4, after failing to achieve this in quarters 1,2 and 3. This was a result of targeted overtime and use of agency staff. The return on investment is being closely monitored. • 88 Barnet Primary Schools, 1 Secondary School and 1 Independent School have signed up to the new school improvement traded service. 9 Head Teachers are on the steering group of the new service. 	<p>Resourcing in procurement team to deliver service and One Barnet objectives. Lack of capacity is putting timescales at risk.</p>	<p>Proposals to CDG for alternative means of delivering key pieces of procurement work and implementation of procurement improvement plan to ensure resource allocated appropriately in key areas such as One Barnet procurement support.</p>
	<p>Continued lack of progress in increasing the recycling rate at 31% in quarter 4 against a target of 40%</p>	<p>Waste Strategy aimed at dealing with waste collection and waste disposal issues to be produced in draft form by July 2011.</p>
	<p>Following budget decision the department are awaiting the outcome of two Judicial Reviews on Parking and allotment charges.</p>	<p>Working with legal to provide a robust defence.</p>

1.3 Barnet Council budget vs. performance analysis



The graph shows:

- Chief Executive’s and Commercial have both fallen into the lower performance and budget position from quarter three.
- Commercial has the highest budget variance (which has increased from previous quarters) and performance has fallen from Q2. Children’s Services and E&O also both have significant budget variances at between 1% and 2%. The service with the largest absolute budget variance is E&O with £2.4m and the second is Children’s Services with £879k. Only two Directorates have no budget variances in quarter four - DCES and PHR.
- Three Directorates have an overall positive level of performance against Corporate Plan targets – Corporate Governance, E&O and the Children’s Service. Environment and Operations has dramatically improved its performance, moving from a score of -2 in quarter 3 to 2 in quarter 4.

1.4 Current Corporate Risks

The following table is the updated corporate risk register as at 31st March 2011, this risk register was challenged as part of the Risk and Fraud Forum on the 24th March 2011.

Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment			
	Impact	Prob.	rating			Impact	Prob.	rating	
ORG0001 - Reputational Transformation – The Council’s strategic agenda is defined by the One Barnet programme which is designed to transform public services to Barnet citizens, working with our partners and the community, in the context of severe resource constraint. Risk – failure to deliver One Barnet effectively, with declining service performance and citizen satisfaction. Sub-optimal commercial arrangements with third parties.	High 3	Medium 2	High 6	Ensure effective governance arrangements with both Cabinet Members and senior management engaged. <i>In Progress (90% complete)</i>	30/6/2011 (Normal)	High 3	Medium 2	High 6	
				Communication and Engagement strategy to ensure project level communications and engagement plans are in place <i>Implemented (100% complete)</i>					N/A
				Transition Strategy to ensure business as usual is maintained during the delivery of the programme <i>Implemented (100% complete)</i>					N/A
				Benefits Realisation Framework <i>In Progress (70% complete)</i>					30/6/2011 (Normal)

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Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment		
	Impact	Prob.	rating			Impact	Prob.	rating
				Programme plan produced and signed off <i>In Progress (85% complete)</i>	30/6/2011 (Normal)			
				Project communications plans for live projects produced and signed off <i>In Progress (90% complete)</i>	30/6/2011 (Normal)			
				Risk management framework included risk and issue standards <i>Implemented (95% complete)</i>	30/6/2011 (Normal)			
				Risk management framework communicated to all live and pending projects and stakeholders <i>In Progress (70% complete)</i>	30/6/2011 (Normal)			
				Implementation partnership has been put in place to fill the knowledge and experience gap with regard to commercial assurance. <i>Implemented (100% complete)</i>	N/A			
ORG0002 - Financial Central government support has been cut and our response to this has gone to Cabinet and the budget was approved in February. Risk – given the scale of the savings there will be key concerns in delivering those savings over the next 4 years and managing to deliver services in times of such uncertainty.	High 3	High 3	High 9	Financial and Business Planning Process <i>Complete (100% complete)</i>	N/A	Medium 2	Medium 2	Medium 4
				Risk assessment of savings plans <i>Implemented (100% complete)</i>	N/A			
				Monitoring of savings through the Financial and Business planning group monthly (40%)	30/6/2011			
				Information Governance Action Plan devised from recommendations in various internal and external reviews - <i>Complete</i>				
				Set up Information Governance Council (IGC) to oversee actions from the IM Review. - <i>Implemented Complete</i>				

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Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment		
	Impact	Prob.	rating			Impact	Prob.	rating
				IGC to commission further work to enhance information management: - revised ICT Policy - IM Strategy - Information framework, including data retention and data sharing - review of information sharing protocols and standards, <i>In Progress (15% complete)</i>	30/4/2011 (Normal)			
ORG0003 – Compliance - original Information management – The Council's overall arrangements to manage information, including systems, data sharing, data protection, freedom of information, transparency etc need further development. Risk – breach of information management requirements, sub-optimal service delivery with partners, failure to address transparency agenda effectively. Mitigating action: improvement programme to be specified and delivered.	High 3	Medium 2	High 6	Information Governance Action Plan devised from recommendations in various internal and external reviews - <i>Complete</i> Set up Information Governance Council (IGC) to oversee actions from the IM Review. - Implemented <i>Complete</i> IGC to commission further work to enhance information management: - revised ICT Policy - IM Strategy - Information framework, including data retention and data sharing - Review of information sharing protocols and standards, <i>In Progress (15% complete)</i>	30/4/2011 (Normal)	Medium 2	Medium 2	High 6
ORG0004 - Reputational Governance – The Council faces a period of major change with potential organisational trauma impacting on core governance systems and processes. Risk – breakdown in core governance systems leading to financial loss or reputational damage	High 3	Low 1	Medium 3	Comprehensive performance management reporting process including key risks at Directorate and Corporate level. - <i>Implemented</i> Governance reporting to Statutory Officers Group. Report produced. <i>In progress (100% complete)</i>		Low 1	Low 1	Low 1

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Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment		
	Impact	Prob.	rating			Impact	Prob.	rating
<p>ORG0005 - Reputational Asset management – Asset management planning is inconsistent and not well integrated into the business planning process. Capital programme delivery is not timely.</p> <p>Risk – failure to deliver cost-effective capital assets necessary to support service delivery.</p>	High 3	Medium 2	High 6	Develop Estate Strategy <i>In Progress (90% complete)</i>	31/3/2011 (Normal)	High 3	Medium 2	High 6
				Establish a Corporate Asset Management information system <i>In Progress (90% complete)</i>	31/03/2011 (Normal)			
<p>ORG0007 – Financial Iceland deposits – The Council is currently assuming recovery of Icelandic bank deposits based on priority status for UK local authorities. The Icelandic courts may determine that UK local authorities will not have priority status, leading to lower recovery in the sum of c£14m.</p> <p>Risk – insufficient provision in the risk reserve and use of general fund balances which would need to be re-established at the minimum level.</p>	High 3	Medium 2	High 6	Work with the LGA and other affected authorities to maximise recovery through the Icelandic courts. lawyers for affected authorities are preparing case <i>In Progress (75% complete)</i>	30/6/2011 (Normal)	High 3	Medium 2	High 6
<p>ORG0010 – Reputational Development and infrastructure – Development within the Borough through the medium-term is planned to deliver 8,800 new homes and an increase in population of 20,000 by 2015.</p> <p>Risk – public service infrastructure within the borough is not able to expand to accommodate the increased requirements.</p>	High 3	High 3	High 9	Planning Policy to negotiate S106 agreements <i>In progress (0% complete)</i>	No target date set	High 3	High 3	High 9
				Explore other innovative forms of funding <i>In progress (30% complete)</i>	30/6/2011			
<p>ORG0011 – Compliance Waste management and sustainability – The cost of waste disposal will increase significantly in the medium-term due to landfill tax increases and the procurement of new waste disposal facilities by the NLWA. The loss of £258.4m PFI credits presents</p>	High 3	High 3	High 6	Establish Barnet Waste Board <i>Implemented (100% complete)</i>	N/A	High 3	High 3	High 6
				NLWA Procurement risk register maintained and updated – <i>Implemented (100% complete)</i>	N/A			

Appendix A

Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment		
	Impact	Prob.	rating			Impact	Prob.	rating
<p>further risk to the affordability and progress of the procurement. Waste minimisation, collection and recycling arrangements will significantly impact on cost and the amount of waste sent for disposal. In addition, the carbon reduction scheme will impose financial penalties in respect of wider sustainability issues. Government likely to further increase penalties/incentives.</p> <p>Risk – increased waste sent for disposal at significantly increased cost. Lack of progress on wider sustainability agenda attracting additional carbon commitment penalties.</p>				Make progress at NLWA meetings, critical review of NLWA papers, with additional support from specialist consultant <i>In Progress (90% complete)</i>	30/4/2011			
				Develop, implement and review Waste Action Plan <i>In Progress (30% complete)</i>	30/4/2011			
				Annual communications plan to include more targeted communications based on the intelligence available <i>In Progress (30% complete)</i>	30/4/2011			
				Establish & Embed Carbon Reduction Commitment Steering Group to strengthen management focus on Carbon Reduction commitment In Progress (50% complete)	31/04/2011 (normal)			
				Options for the procurement going forward and their affordability is being considered with the NLWA. <i>In Progress (80% complete)</i>	30/4/2011			
Prepare business case for members' decision on future waste collections In progress (40% complete)	30/6/2011							
<p>ORG0014 - Financial RISK: new revenues and benefits systems went live February however with process inefficiencies, in addition due to the downtime from December to February significant backlog of workload is required to be processed. The Revenues and Benefits team has been unable to meet the Department for Work and Pensions (DWP) requests for information to support their Housing/Council Tax Benefit claim for interim grant subsidy. This has resulted in a £3m reduction in grant subsidy until the information is supplied in</p>	High 3	High 3	High 9	Legal advice to be sought- ongoing In Progress (80%)	30/4/2011	High 3	High 3	High 9
				Constant monitoring and reporting of risks, issues and progress through the various departments and companies involved. In progress (80%)	30/4/2011			
				Reconciliation of new system once live In progress (80%)	30/6/2011			

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Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment		
	Impact	Prob.	rating			Impact	Prob.	rating
August; this represents a risk to the cash flows of the Council of £250k per month.				Additional resource required to process backlog of transactions In progress (10%)	30/6/2011			
				Source better solution with Civica for hosting In progress (10%)	30/6/2011			

Corporate risks proposed for closure

Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment		
	Impact	Prob.	rating			Impact	Prob.	rating
ORG0009 – Political Narrowing the gap – The Council plans to narrow the educational attainment gap between children with the greatest disadvantage and average attainment. This is part of a wider strategy to support vulnerable families and minimise the cost of public services. A number of Barnet schools are likely to seek Academy status. Risk – reduction in Council controlled support to schools and consequent reduced ability to influence the contribution of school to this agenda.	Medium 2	Medium 2	Medium 4	Develop strategy for new LA role <i>In Progress (75% complete)</i>	31/3/2011 (High)	Medium 2	Medium 2	Medium 4
				School Improvement Partners complete attainment review for all schools <i>Proposed (100% complete)</i>	31/03/2011 (Normal)			
ORG0012 - Financial Primary school places – Demand for primary school places will increase through the medium-term and investment requirements totalling c£40m are currently unfunded. Risk – insufficient primary school places are available to meet statutory requirements.	High 3	High 3	High 9	Cabinet report Sept 6th 2010 setting out strategy and likely investment needs. Report approved by Cabinet – <i>Implemented (100% complete)</i>		High 3	Medium 2	High 6
				Commence consultation on the expansion of Broadfields <i>Implemented (100% complete)</i> Gain Cabinet approval for expansion of Broadfields Complete (100%)				

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Risk	Initial Assessment			Control Actions	Target Date (Priority)	Current Assessment		
	Impact	Prob.	rating			Impact	Prob.	rating
<p>ORG0013 - Financial Demographic Funding Pressures. Risk of needing an additional funding requirement of £6.3m by 2015 caused by increasing demand and contractual pressures on Adult Social Services from an increasing ageing population (13.8% growth in population aged over 65 by 2015 – ONC population projections) and increased numbers of young people with complex disabilities surviving into adulthood.</p>	High 3	High 3	High 9	Inflationary uplifts being managed at 0% <i>In Progress</i> (0% complete) New fairer contributions policy to be consulted on <i>In progress</i> (0% complete) DDofASS and ADoC to develop and agree a joint transition strategy for Barnet Proposed (0% complete) Ensure Council's approach to dealing with indexation and contracts is in line with Adults medium term financial plan In progress (0% complete)	31/03/2011 (Normal)	High 3	High 3	High 9

2. Whole council summary tables

2.1 Key finance indicators

Indicator		2010/11 (Position at 31/03/11)	2009/10 (Position at 31/03/10)	Achieved /Trend
1 Revenue Expenditure				
(a) Balances and Reserves:				
(i) General Fund Balance	£'m	15.78	15.78	
(ii) HRA Balances	£'m	4.23	4.14	
(iii) School Balances	£'m	14.73	11.90	
(b) Performance against Budget:				
Variations:				
(i) Overspends	£'m	13.77	11.35	
(ii) Underspends	£'m	13.37	12.46	
2 Capital Expenditure				
(i) Cumulative Slippage	£'m	49.71	55.06	
3 Debt Management				
(i) Total Debt Outstanding over 30 days	£'m	5.46	6.51	
(i) Total Debt Outstanding over 12 months	£'m	1.58	3.16	
(iii) Council Tax - % paid	%	95.60	96.30	
4 Creditor Payment Performance				
(i) % of Creditors paid within 30 days	%	98.66	98.24	

2.2 Revenue Outturn – corporate overview

Description	Revised Budget as at 31/03/11 £000	Final Outturn at 31/03/11 £000	Final Outturn Variation as at 31/03/11 £000
Adults	95,819	95,819	-
Central Expenses	52,645	51,081	(1,564)
Chief Executive	12,016	11,620	(396)
Childrens Services (Net of DSG)	46,926	47,020	94
Commercial Services	15,806	15,786	(20)
Corporate Governance	5,869	5,706	(163)
Deputy Chief Executive	12,581	12,573	(8)
Environment & Operations	23,096	25,934	2,838
Planning, Housing & Regeneration	2,428	2,051	(377)
Total 2010/11 General Fund Expenditure	267,186	267,590	404
Financing	(267,184)	(267,590)	(406)
Agreed use of Balances	(2)	-	2
General Fund Balances as at 01/04/10	-	-	(15,780)
General Fund Balances (excluding schools balances) at 31/03/11	-	-	(15,780)

2.3 Capital Outturn – corporate overview

Service Area	Original Budget (including prior years slippage)	In-year Slippage	In-year Additions/ Deletions	Current Budget	Final Outturn	Outturn Slippage	Total Slippage (In-year plus Outturn)
	£000	£000	£000	£000	£000	£000	£000
Adult Social Services	1,367	(844)	104	627	1,052	425	(419)
Central Expenses	4,500	-	-	4,500	912	(3,588)	(3,588)
Childrens Services	73,814	(16,319)	(14,984)	42,511	37,323	(5,188)	(21,507)
Capital Schemes Managed by Schools	4,701	-	845	5,546	6,240	695	695
Corporate Governance	31	(30)	-	1	94	93	63
Environment & Operations	16,099	(1,144)	845	15,800	10,553	(5,247)	(6,391)
Commercial Services	7,147	(2,932)	(400)	3,816	2,360	(1,456)	(4,388)
Chief Executive Services	268	(465)	465	268	110	(158)	(623)
Deputy Chief Executive Services	826	(341)	-	485	314	(171)	(512)
Housing - General Fund	8,283	(5,577)	5,651	8,357	7,649	(708)	(6,285)
General Fund Programme	117,035	(27,651)	(7,474)	81,910	66,606	(15,304)	(42,955)
Housing -HRA	23,672	(6,241)	830	18,261	17,745	(516)	(6,757)
Total Capital Programme	140,708	(33,892)	(6,645)	100,171	84,352	(15,820)	(49,712)

2.4 Corporate Plan performance - corporate overview

Directorate	Total no. of Corp Plan targets	Total no. of Corp Plan indicators	No. of indicators achieved	No. of indicators missed	Negative DoT	No. of indicators reporting data in Q4
Adult Social Services	3	3	1	2	2	3
Children's Services	6	9	1	1	1	2*
Environment & Operations	4	6	4	2	1	6
Planning, Housing & Regeneration	6	6	2	4	3	6
Commercial Service	3	4	1	3	0	4
Deputy Chief Executive	1	2	1	1	2	2
Chief Executive's Service	1	6	2	3	5	5
Corporate Governance	4	5	5	0	0	5
Total	28	41	17 (51.5%)	16 (48.5%)	14 (42%)	33

Note: Some indicators are grouped into baskets and treated as a single target, which is why columns 1 and 2 are different

2.5 Human Resource/People performance - corporate overview

Performance Indicator	Period covered	Target	Amber criteria	Q4 outturn (No.)	Q4 outturn % of total	Q4 (numerator/denominator)	Target Variance	Q4 DoT	Benchmarking
Attendance									
Average number of absence days per employee (Rolling year)	Apr 10 - March 11	6	6 - 6.5	7.8	N/A	23304.03/2983.87	30.2%	- 0%	9 days (CIPFA, All Members & other Unitary Authorities 2010)
Average number of absence days per employee this quarter (target is seasonally adjusted)	Jan 11 - March 11	1.51	1.5 - 1.7	1.9	N/A	5498.12/2962.87	23.2%	▲ 19.1%	2.25 days (CIPFA, All Members & other Unitary Authorities 2010)
% managers submitting a monthly absence return	Jan 11 - March 11	100%	>94%	259	59.3%	259/437	40.7%	▲ 6.8%	N/A : measure applicable to LBB only
Performance Review									
% performance reviews undertaken for eligible staff only	Apr 09 - March 10	100%	>94%	N/A for Quarter 4				84% (CIPFA, All Members & other Unitary Authorities 2010)	
Cost									
Variance of total paybill to budget	Jan 11 - March 11	0	+/-5%	Available for Quarter 1 2011/2012				84% (CIPFA, All Members & other Unitary Authorities 2010)	
Management Indicator	Period covered			Q4 outturn (No.)	Q4 outturn % of total establishment	Q4 (numerator/denominator)	DoT Q3 outturn %	Benchmarking	
Establishment/staffing									
Number of FTE established posts	As at 31 March 2011			3406.6	100.0%	3406.6/3406.6	▼ <0.01%	No relevant information available	
Number of FTE employees in permanent posts	As at 31 March 2011			2660.4	78.1%	2660.4/3406.6	▼ 1.4%	88.3%(Capital Ambition, 2010)	
Number of Hays temps covering established posts (non Hays temps and Interims available for Q1, 2011/2012)	As at 31 March 2011			306	9%	306/3406.6	▲ 5.5%	11.7%(Capital Ambition, 2010)	

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Number of Fixed Term Contract staff covering established posts	As at 31 March 2011	282.4	8.3%	282.4/ 3406.6	Not previously reported	No relevant information available
Number of consultants not covering established posts	As at 31 March 2011	Available for Quarter 1 2011/2012				No relevant information available
Employee Relations						
Number of active employee relations cases	As at 31 March 2011	93	N/A	N/A	Not previously reported	No relevant information available
High Risk - Disciplinary	As at 31 March 2011	3	3.2%	3/93	Not previously reported	N/A : measure applicable to LBB only
High Risk - Grievance	As at 31 March 2011	1	1.1%	1/93	Not previously reported	N/A : measure applicable to LBB only
High Risk - Capability	As at 31 March 2011	0	0.0%	0/93	Not previously reported	N/A : measure applicable to LBB only
High Risk - Ill health capability	As at 31 March 2011	0	0.0%	0/93	Not previously reported	N/A : measure applicable to LBB only
High Risk - Employment Tribunals	As at 31 March 2011	6	6.5%	6/93	Not previously reported	N/A : measure applicable to LBB only

Staff numbers by service area

	ESTABLISHMENT*				OCCUPANCY**				Variance	Variance %	OTHER
	Permanent	Fixed Term	Vacant	TOTAL	Permanent	Fixed Term	Agency/ Interim	TOTAL			Casual
Adult Social Services	408.18	26.2	45.81	480.19	408.18	26.2	38	472.38	-7.81	-1.6%	128
Children's Service	694	116.27	183	993.27	694	116.27	83	893.27	-100	-10.1%	378
Chief Executives Service	188.06	35.96	30.08	254.1	186.06	34.96	21	242.02	-12.08	-4.8%	9
Commercial Directorate	128.47	26	23.33	177.8	126.31	26	14	166.31	-11.49	-6.5%	2
Corporate Governance	74.59	8.4	12	94.99	74.59	8.4	10	92.99	-2	-2.1%	4
Deputy Chief Executive Service	324.24	18.8	30.59	373.63	314.47	17.8	43	375.27	1.64	0.4%	3
Environment & Operations	631.28	43	86	760.28	621.37	38.91	82	742.28	-18	-2.4%	171
Planning, Housing & Regeneration	235.43	13.89	23	272.32	235.43	13.89	15	264.32	-8	-2.9%	16
Total	2684.25	288.52	433.81	3406.58	2660.41	282.43	306	3248.84	-157.74	-4.6%	711

* **Establishment** - the agreed number of posts for the organisation

** **Occupancy** - the number of workers engaged in post

2.6 Key projects – corporate overview

Service Area	Red Status	Amber Status	Green Status
Adult Social Services		2	4
Chief Executive's Service			
Children's Services		4	8
Commercial Services		2	4
Deputy Chief Executive	1	2	1
Environment & Operations	1	1	1
Planning, Housing & Regen		1	2
Totals	2	12	20

Although there are more projects under each Directorate than shown here some projects are currently in the 'concept' stage, therefore a RAG status can not be established. There were eight projects where the project managers failed to submit a report but following the AD Performance meeting have reported progress of their projects. The two projects still outstanding are: Pericles (DCES) and Highways Master Programme (E&O) but based on previous reporting and more recent conversations these have been rated as red.

3. Methodology for traffic light ratings

3.1 Thresholds for awarding health rating traffic lights

	Green	Green Amber	Red Amber	Red
	Good performance	Good, with some concerns	Some concerns	Serious concerns
Revenue & capital budget mgt - variance % (above and below)	0%	< 0.5%	0.5 - 1%	More than 1%
Corporate Plan & HR performance scores	More than 2	1 to 2	-1 to 0	Less than -1

3.2 Method for producing the Corporate Plan, projects and HR/People health ratings

Each individual performance indicator is now traffic lighted according to the same four point traffic light scale: Green, Green Amber, Red Amber and Red. Points for each are awarded, as shown in the table below, and then added together to produce the overall health rating score.

	Points for each indicator
Green	1
Green Amber	0.5
Red Amber	-0.5
Red	-1

For example, if there were four indicators and each achieved one of the four traffic lights, the net result would be a score of 0 and this would produce a Red Amber overall health rating, based on the table above in paragraph 1.2.

For key projects service-level health ratings, with its 3-colour rag rating system, a green will be awarded 1 point, and amber -0.5 and a red -1.

3.3 Method for producing individual performance indicator traffic light ratings

Traffic Light	% of targeted improvement achieved	Description
Green	100% or more	Meeting or exceeding target
Green Amber	>80% <100%	Near target with some concerns
Red Amber	>65% <80%	Problematic
Red	<65%	Serious concerns

Any target that is met achieves a Green traffic light.

Targets that have not been met, but where 80% or more of the targeted improvement has been achieved, will be given a Green Amber traffic light.

If the targeted improvement is below 80% but above 65% the indicator will get a Red Amber rating.

For example, if the baseline is 80 people and the target is 100 people, the targeted improvement is 20. 80% of 20 is 16, so the outturn would need to be

at least 96 people to achieve Green Amber and at least 93 people to achieve a Red Amber.

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Whilst initial traffic lights will be based on this objective criteria, they may subsequently be changed through discussion between Directorates and the Performance team, based on the individual circumstances and prospects for each target. Where this has occurred it will be clearly stated in the report with the reasons given.

The criteria for red and amber traffic lights for HR/People measures differs for each indicator; the amber criteria for each is shown alongside the indicator in the individual data tables.

3.4 Employee Relations case ratings

Each Case is allocated a status and scored as follows.

RAG	Description	Score per case
Red	<ul style="list-style-type: none"> • High risk to the council in terms of litigation, financial, reputation or political impact. • The case is an HR priority • Service Directors and/or their deputies will be aware of these cases • This category will include all cases of discrimination regardless of stage <p>E.g. ETs, cases where appeal/ET likely, where Directors or ADs are involved as alleged perpetrators, where major financial loss/fraud is being investigated.</p>	-2
Amber	<ul style="list-style-type: none"> • Medium risk to the council in terms of litigation, financial, reputation or political impact. • Action is probably at the Formal stages of procedures • The Local Management team are aware of the case <p>e.g. cases are at formal stages of procedure/formal consultation etc</p>	-1
Green	<ul style="list-style-type: none"> • Low risk to the council in terms of litigation, financial, reputation or political impact. • Local action being taken • HR is kept aware and is advising • Local line managers are managing the case (HR won't always know about these) <p>Eg. Informal capability/illhealth/pre restructure (no issues)</p>	- 0.5

Appendix B

2010/11 Final Outturn: Revenue Budget

Adults

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Care Services - Learning Disabilities	25,639	36,252	36,253	1	Significant purchasing budget pressures offset by Section 256 resources. Work programme undertaken with providers to reduce costs to bring spend in line with budget
Care Services - Mental Health	7,742	7,283	7,440	157	Pressures from Continuing Care and Forensic Services transfers some offset by holding vacant posts. Work being undertaken with Health on improved commissioning and move on from Residential Care to Supported Living
Care Services - Older Adults - Physical Disabilities	48,389	47,489	48,192	703	Greater demand in line with demography, and in particular from the PCT around Continuing Care have caused pressures within the budget some offset by Homecare contract savings. Net increase of 28 older people requiring care home placements.
Performance & Supply Management	5,465	4,203	4,144	(59)	Reduced spend on training events and vacancies held reducing spend in preparation for restructure and reduced agency use.
Strategic Commissioning & Transformation	11,107	12,899	12,166	(733)	Preparation for implementation of 2011/12 savings plan achieved in year and Voluntary Sector spend reduced.
Government Grant Income	(2,110)	(12,307)	(12,376)	(69)	Increase in government Grant
Total	96,232	95,819	95,819	-	

Central Expenses

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Corporate Subscriptions	314	314	341	27	
Levies	24,443	24,443	24,638	195	Increase in the LPFA Levy
Central Contingency	5,528	3,078	(418)	(3,496)	Drawdown on the unallocated general contingency was lower than anticipated through prudent financial management and containment of costs across the organisation.
Rate Relief	433	433	504	71	
Capital Financing	15,719	16,538	15,311	(1,227)	Underspend due to Loans matured in year and £5m LOBO recalled, resulting in lower interest payments and higher interest return on deposits due to relaxed Treasury Management Strategy. Interest payments were also lower as a result of reviewing funding and slippage on the capital programme
Early Retirement costs	7,004	7,004	9,359	2,355	Additional redundancy / early retirement costs associated to 2011-12 budget savings
FRS17 Adjustment	-	931	931	-	
Car Leasing	2	2	-	(2)	
Corporate Fees & Charges	599	599	472	(127)	Underspend on Audit Fees
Miscellaneous Finance	(383)	(697)	(57)	640	Overspend due to insurance and the cut in LABGI grant
Total	53,659	52,645	51,081	(1,564)	

Chief Executive

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Executive Office	744	901	823	(78)	Underspend on conference expenses
Chief Executive's Service	2,508	2,416	2,440	24	Overspend on salaries. Includes additional costs for Census activity.
Grants	1,319	1,181	1,170	(11)	Underspend on salaries
Library Services	6,017	6,008	5,871	(137)	Underspend on salaries and building costs. Adjustment for project management costs paid from capital budget
Customer Services, Registration & Organisation Development	1,653	1,510	1,316	(194)	Higher savings than expected from installation of GSM gateway for telephone calls. Registrars - income higher than forecast. Provisional outturn included earmarked reserves that had been applied for but that were subsequently turned down.
Total	12,241	12,016	11,620	(396)	

Appendix B

2010/11 Final Outturn: Revenue Budget

Childrens' Services

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
CHILDREN'S SERVICE - GENERAL FUND					
Management Team	1,260	1,003	1,036	33	
Social Care Division	25,760	25,419	27,394	1,975	The demand for children's social care remains at unprecedented levels. The most significant areas of financial pressure are external family assessments, external placements for children in care and agency costs. Contact has been made with the courts to find ways to reduce the financial impact on the local authority of decisions relating to family contact etc. To increase social work capacity, we are using external funding to undertake the more routine information and data inputting tasks, releasing social work time to increase face to face contact with families. Other areas of financial pressure include adoption, special guardianship and leaving care services. The Social Care division end of year outturn was consistent with prior months projections reporting, £1.9m overspend.
Asylum Seekers	-	-	(18)	(18)	
BRSI	1,536	731	(80)	(811)	Vacancies held to offset overspends elsewhere in the Children's Service;
Safeguarding	982	1,021	1,180	159	Increased volume of Safeguarding Board activity
SEN Transport	5,538	5,724	5,274	(450)	Underspend on cost of escorts
Youth and Connexions	4,340	4,239	3,976	(263)	Vacancies held to offset overspends elsewhere in the Children's Service
Other Children's Service Budgets	9,529	9,193	8,662	(531)	Vacancies held to contain pressures
Total	48,945	47,330	47,424	94	

Commercial Services

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Corporate Programmes & Consultancy	92	612	618	6	Non-Rechargeable costs within Corporate Programmes
Property Services & Asset Management	7,951	7,885	7,839	(46)	Income generated from another London Borough for print management support.
Corporate Procurement	495	410	379	(31)	Underspend due to staff cost recharged for dedicated support being provided to the Regeneration team
Information Systems	7,094	6,899	6,950	51	Additional software licensing costs.
One Barnet Programme	-	-	-	-	Total spend of £2.5 million has been met from various sources - £1.5 million from central expenses and £1 million from the Transformation reserve.
Total	15,632	15,806	15,786	(20)	

Corporate Governance

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Legal Services	1,848	1,821	1,941	120	Influx in care proceedings and increased no. of employment cases resulting in increased counsel and court fees in both Advocacy and Community divisions.
Democratic Services	831	819	808	(11)	Savings from vacant post
Members	1,697	1,681	1,536	(145)	Savings achieved from revised scheme to Members Allowances and reduced running costs.
Corporate Anti Fraud Team	189	178	159	(19)	Underspend on salaries
Elections	535	519	520	1	Overspend in Electoral Registration is offset by the underspend generated from vacant posts in Elections Project Team.
Civil Protection	204	196	133	(63)	Underspend due to vacant post and reduced spend due to no major incidents.
Performance and Organisation Development	255	320	355	35	Overspend on salaries and training costs
Corporate Governance Directors	317	312	249	(63)	Underspend on salaries
Leaders Office	10	10	8	(2)	Underspend on general running costs
Insurance	66	13	(3)	(16)	Savings from vacant post
Total	5,952	5,869	5,706	(163)	

Appendix B

2010/11 Final Outturn: Revenue Budget

Deputy Chief Executive

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Finance	3,746	4,384	4,384	-	
Human Resources	2,174	2,233	2,200	(33)	The final outturn of £32k under spend is due to adjustment in the cross charging of the Pension costs.
Revenues and Benefits	5,395	5,964	5,989	25	The two areas of greatest variation are both areas we have no control over. Benefit payments actually made. Cost income lower than budgeted.
Total	11,315	12,581	12,573	(8)	

Environment & Operations

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Management and performance	993	1,049	1,479	430	Overspend relates to the expected recharge of the staff costs within Highways & Design Management & Performance Team to other E&O service areas which was not actioned. This does not affect the overall E & O variance as the costs would have been reflected in other areas.
Highways Inspection/Maintenance	4,377	3,951	4,662	711	Overspend due to the capitalisation of planned maintenance leaving insufficient planned maintenance revenue budget for the Division's need. Additionally the Winter Maintenance budget assuming a medium winter whereas this winter has been severe (as last year). A further pressure arose on the Highways Responsive budget due to commitment to divert funds to PEP Phase 1.
Highways income budgets incl. NRSWA	(368)	(377)	(737)	(360)	Increased income following introduction of new permitting scheme
Greenspaces	4,804	4,770	4,849	79	Overspend related to unbudgeted cleaning, repair and grounds maintenance costs for King George Playing Field and higher than expected utility costs at Copthall estate.
Cleansing	4,778	4,663	4,801	138	Overspend relates to increase in agency, overtime over Christmas period and water licenses for mechanical sweepers. This was partially offset by savings on transport costs
Refuse (domestic and trade waste)	3,012	3,827	3,750	(77)	Lower than expected transport recharges and increased Trade Waste income partially offset staffing cost overspends.
Parking	(659)	(974)	(555)	419	Car Parks income shortfall exacerbated by high proportion of machines out of order. Move to cashless parking in 11/12 will address this issue. In addition there was under recovery of staff costs within the Parking Design Team but mostly offset by reduced contribution to capital schemes.
Transport	84	37	(323)	(360)	Net surplus derived from fleet and passenger transport recharges and under utilised transport budget.
Recycling	4,679	3,785	3,580	(205)	High material income and staff vacancies offsetting increased contract price resulting from additional flats and inflation.
Street Lighting	3,116	3,110	3,110	-	Lower reserve drawdown required resulting from programme behind schedule and performance adjustments which have negated the impact of higher energy costs this year
Community Safety	477	400	374	(26)	In year vacancies in Safer Communities Unit.
Community Protection	1,363	1,367	1,335	(32)	Staff and running cost savings offsetting income shortfall in Trading Standards and Licensing and CCTV.
Leisure	1,787	1,798	1,698	(100)	Proposed reserve bid of £100k in respect of Copthall Stadium GLL contract written back to service.
E&O General Fund	28,443	27,406	28,023	617	
Special Parking Account	(5,092)	(4,310)	(2,089)	2,221	Pressure on income throughout the year notably Pay and Display (On Street) and Bus Lane enforcement, partially offset by reduced running costs. The parking recovery plan is on track in 2011/12 to achieve improved service and income levels
E&O Total (inc SPA)	23,351	23,096	25,934	2,838	

Appendix B

2010/11 Final Outturn: Revenue Budget

Planning, Housing & Regeneration

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Land Charges	(932)	(663)	(711)	(48)	Favourable variance due to staffing underspend and receipt of £34k grant from CLG to cover potential restitutionary claims and loss of fees. Fee income slightly under target, tempered by £272k drawdown from central contingency
Environmental Health/ Cem & Crem	1,373	1,318	1,165	(153)	Cem and Crem income exceeded target and along with vacancy and running cost savings in EH Management has offset pressures on Care and Repair budget, mortuary expenditure and write offs in works in default.
Planning	192	651	922	271	Adverse variance due to legal costs in respect of Edgwarebury Lane Cemetery lost appeal as well as salary and other running cost overspends. Establishment costs are under review alongside Lean Systems programme.
Strategy (Planning & Housing)	669	607	680	73	Budget reduced through in year savings by £69k on basis of alternative income streams to cover overspend, however ultimately not achieved
Building Control	(243)	(177)	(356)	(179)	Building control and street naming and numbering fee income has outperformed the budget.
Housing	713	640	490	(150)	Outperformance in Private Sector Leasing and TA income offsetting previously flagged losses at Barbara Langstone House and the cost of running Home Choice. The Housing Needs and Resources side is over budget due to HALS void penalties and TiL disturbance payments.
Regeneration Service	257	52	(139)	(191)	Rental income maximisation from PSL buyback properties awaiting regeneration, re-alignment of salaries between GF & HRA and recovery of consultant fees. More recoverable costs through development partner.
Total	2,029	2,428	2,051	(377)	

Dedicated Schools' Grant

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
CHILDREN'S SERVICE - DSG					
SEN Placements, Recoupment & Therapies	9,685	9,481	8,596	(885)	One-off underspend due to finalising agreements with other local authorities and providers over outstanding prior year payments
Pupil Referral Unit	1,514	1,509	1,535	26	
Other Centrally Retained Schools Budgets	10,860	12,024	10,540	(1,484)	Underspend on 3&4 year olds free educational entitlement
ISB	213,809	207,238	207,238	-	
DSG & LSC Grant	(235,992)	(230,656)	(228,313)	2,343	
Total	(124)	(404)	(404)	-	

Housing Revenue Account

Description	Variations				Comments
	Original Budget	Budget V1	Final Outturn 10/11	Variation	
	£000	£000	£000	£000	
Housing Revenue Account					
LBB Retained	1,532	1,524	1,560	36	
HRA Regeneration	1,091	1,088	961	(127)	Increased recovery of consultants costs from developers
HRA Other Income and Expenditure (net)	(3,555)	(3,544)	(3,245)	299	Surplus due to higher than budgeted dwelling rents and lower debt management costs. This has offset higher bad debt provision, HRA subsidy payments and lower than budgeted service charge income.
Support Service recharges	576	576	725	149	Support recharges higher than budgeted, mainly from property services
Interest on Balances	(80)	(80)	(89)	(9)	
HRA Surplus/Deficit for the year	436	436	88	(348)	Surplus below budget due to a £942k adjustment to rectify a legacy inter-company imbalance with Barne Homes
Total	-	-	-	-	

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
Adult Social Services					
Improving the Care Environments for Older People		16		(16)	-
Broadfields- Supported Living Developments		592	1,052	460	Works carried out were more than anticipated.
Barnet Independent Living Service- Repair Works		19		(19)	-
SWIFT		-		-	Project to start in 11/12
Mental Health and Adults Personal Social Services Allocations		627	1,052	425	
Total - Adult Social Services		627	1,052	425	
Central Expenses					
Capitalised Redundancies		4,500	912	(3,588)	Only the statutory element of redundancy costs were allowed to be capitalised by CLG.
Capitalised Redundancies		4,500	912	(3,588)	
Total - Central Expenses		4,500	912	(3,588)	
Childrens Services					
Schools Access Initiatives	2008-09 Programme	14	7	(7)	-
	2009-10 Programme	116	88	(27)	-
	2010-11 Programme	360	341	(19)	-
Schools Access Initiatives		489	436	(53)	Monies to cover retentions against schemes completed in 2010/11
Modernisation - Primary & Secondary	Modernisation Prim & Sec 2008-09	670	752	82	-
	Modernisation Prim & Sec 2009-10	1,149	502	(646)	-
	Modernisation Prim & Sec 2010-11	2,120	563	(1,558)	Schemes such as window replacement and landscaping schemes had delayed start, spend re-profiled for 2011/12.
Schools Modernisation & Access Improvement Programmes		3,939	1,817	(2,122)	
Urgent Primary Places		1,043	810	(233)	Modular Building installation delayed, spend re-profiled for 2011/12.
Urgent Primary Places		1,043	810	(233)	
Surestart	Residual Phase 2	50	73	23	-
	Phase 3	1,497	1,284	(213)	Two delayed projects, spend re-profiled for 2011/12.
Surestart Programme		1,547	1,357	(191)	
Major School Rebuild	Underhill Infants - Childrens Centre	48	34	(14)	-
Major School Rebuild	Hyde School Rebuild & Childrens Centre	205	95	(110)	-
Major School Rebuild	Parkfield School	150	33	(118)	-
Major School Rebuild Total		403	161	(242)	Bought forward retentions.
Primary Schools Capital Investment Programme (PSCIP)		9,662	9,595	(67)	Broadfield School expansion project had lower than anticipated spend in 2010/11, spend re-profiled for 2011/12.
Primary Schools Capital Investment Programme		9,662	9,595	(67)	

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
East Barnet & Project Faraday		5,878	5,808	(71)	Project Faraday had lower than anticipated spend in 2010/11, spend re-profiled for 2011/12
East Barnet Schools Rebuild		5,878	5,808	(71)	Project Faraday had lower than anticipated spend profile in 2010/11, budget reprofiled for 2011/12
LEA Liability at VA Schools re major capital schemes (Bishop Douglas)		-	-	-	Scheme finished
Big Lottery Fund Schemes		-	10	10	-
Youth Capital Funding		132	131	(1)	-
Primary Capital Programme (DfES Primary Pathfinder)		12,490	12,427	(63)	Early years school scheme had a lower than anticipated spend profile in 2010/11, budget reprofiled for 2011/12.
Health & Safety Works (DSG)		-	-	-	-
Early Years - Quality & Access		1,463	1,458	(4)	-
Extended Schools		333	123	(209)	Delayed projects, spend re-profiled for 2011/12.
Targeted Capital 14-19 SEN		1,927	730	(1,197)	Monies can be spent until August 2011. School managed schemes have been delayed and spend during 2010/11 reduced. Work will be completed by August 2011.
Information Systems for Parents & Providers		2	2	-	-
Woodhouse Road		-	-	-	Scheme finished
Exceptional capital funding for cooking spaces		855	855	-	-
Aiming High for Disabled Children		444	445	1	Scheme finished
Rithmik Music Studio		-	-	-	Scheme finished
TCF - Kitchen & Dining		1,787	493	(1,293)	Garden Suburb project delayed due to complexities of scheme, spend less than anticipated in 2010/11, budget reprofiled for 2011/12.
Building Schools for the Future		-	-	-	Scheme finished - Aborted June 2010.
Co-Location	Brunswick Park Community Hub & Acorn Centre	-	567	567	This project was aborted in year but the authority received a grant to cover any costs. Therefore NIL variance as fully funded.
Emergency Works		-	49	49	This spend is for the 1st phase of roofing works at Claremont, Church Hill and Summerside schools. These schemes will progress in 2011/12
Integrated Children's System		-	-	-	Scheme finished
Play Builders		-	-	-	-
Outstanding commitments on completed schemes		118	48	(71)	This spend is for the 1st phase of roofing works at Claremont, Church Hill and Summerside schools. These schemes will progress in 2011/12
Other Schemes		19,549	17,339	(2,210)	
Total - Childrens Services		42,511	37,323	(5,188)	

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
Capital Schemes Managed by Schools					
New Deals for Schools Devolved Formula Capital		3,172	5,523	2,351	The Devolved Formula Capital delegated to schools was reduced for 2010/11, any shortfall is met from the School's capital balances.
Harnessing Technology Grant		913	717	(196)	The Harnessing Technology grant was reduced in year by 50%. Schools were informed that match funding would be available from the DSG but spend on technology was lower than anticipated.
Locally Controlled Voluntarily Aided Programme	Pass ported budget - hence any spend is notional	1,461		(1,461)	Passported budget - spend is notional
Specialist Schools (capital grant)		-		-	-
Capital Schemes Managed by Schools		5,546	6,240	694	
Total - Capital Schemes Managed by Schools		5,546	6,240	694	
Corporate Governance					
Emergency Response Command Centre		1	-	(1)	-
Members IT			94	94	The total cost for Members IT equipment is funded via revenue contributions over a 4 year period
Corporate Governance Projects		1	94	93	
Total - Corporate Governance		1	94	93	
Environment & Operations					
Recycling Schemes		56	-	(56)	Spend for both schemes is allocated against the purchase of green bins code. Budget across both schemes results in a variance of less than £50k.
Purchase of Green Bins		100	134	34	-
Recycling Schemes		156	134	(22)	
CCTV in Town Centres Programme	2004/05 & 2005/06 programme	62	-	(62)	Retentions carried forward.
	2006/07 programme	-	-	-	-
	2007/08 programme	22	-	(22)	-
Closed Circuit Television in Town Centres		84	-	(84)	
Victoria Park Pavillion Rebuild		38	-	(38)	-
Watling Park - Entrance gates		-	-	-	-
Glebelands Open Space - Sports Pitches		-	-	-	-
Refurbishment of Hendon Park Toilets		-	-	-	-
Installation of new skate park		-	-	-	-
Fairplay Playbuilders		1	-	(1)	-
CCTV Installation		263	11	(251)	The CCTV system is currently at it physical capacity. Therefore, the CCTV installation programme was not delivered in 2010/11 and no new schemes can be delivered in 2011/12
Building Safer Communities		54	67	13	-
Copthall Roof		47	-	(47)	-
Outstanding Environment Commitments on completed schemes		77	-	(77)	Retentions carried forward.
Other Environment & Transport Schemes		480	78	(402)	
Structural Maintenance of Bridges	Prior Years	-	-	-	-
	2009/10 allocation	(3)	41	4	-

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
	2010/11 allocation	-	-	-	-
Local Safety Schemes	2007/08 Programme	-	-	-	-
	2008/09 Programme	-	-	-	-
	2009/10 Programme	393	362	(32)	-
Carriageway Reconstruction - Principal Roads	2006/07 & 2007/08 allocation	-	-	-	-
	2008/09 allocation	-	-	-	-
	2009/10 allocation	124	126	3	-
Road Traffic Act - Controlled Parking Zones	2008/09 Programme	-	-	-	-
	2009/10 Programme	529	54	(475)	Allocation not directed for use in 2010 as a result of changing priorities. Further spend expected in 2011.
	2010/11 Programme	14	4	(9)	-
Footway Reconstruction	2007/08 allocation	-	-	-	-
	2008/09 allocation	-	-	-	-
	2009/10 allocation	537	279	(258)	Allocation partly slipped forward at provisional as some works will carry forward into 2011
	2010/11 allocation	18	2	(16)	-
London Bus Priority Network	Consultants Costs	-	-	-	-
	2007/08 LBPN Programme	-	-	-	-
	2008/09 LBPN Programme	-	-	-	-
	2009/10 LBPN Programme	30	23	(7)	-
Cycling	2007/08 allocation	-	-	-	-
	2008/09 allocation	-	-	-	-
	Cycling Non LCN Schemes 2009/10	8	-	(8)	-
	Cycling LCN Schemes	100	9	(91)	Allocations reprofiled to a nil value at provisional as no further allocation & no further spend expected in this area.
Traffic Management	2007-8 Pursley Road Allocation	9	8	(1)	-
Cartwright Memorial, St Mary's Church		5	3	(2)	-
Bus Stop Aecessibility	2007/08 BSA Allocation	-	-	-	-
	2008/09 BSA Allocation	-	-	-	-
	2009/10 BSA Allocation	16	17	1	-
Colindale Development Area	Reconstruction of Railway Bridges	1,246	632	(614)	Remaining contractor payments expected to be made in 2011.
	A41 Aerodrome Road junction improvement works	350	36	(314)	Remaining contractor payments expected to be made in 2011.
	Controlled Parking Zones	40	5	(35)	-
	Aerodrome Road - additional pedestrian facilities	40	8	(32)	-
	Colindale Station interchange	50	6	(44)	-
	New scheme to be approved (Public Transportation Improvements)	10	-	(10)	-
	New scheme to be approved (Public Transportation Improvements)	100	5	(95)	In year allocation for this project has resulted in the works not being commissioned in 2010. Further spend expected in 2011.

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
	Colindale CPZ Parking Review Feasibility Study- Colindale Hospital	15	5	(11)	-
	CDA- Colindale Hospital	10	3	(7)	-
GAF 3 Funding of Transport Projects	GAF 3 Funding of Transport Projects	262	-	(262)	Allocation not directed for use in 2010 as a result of changing priorities. Further spend expected in 2011.
Minor TfL allocations	2007/08 TfL allocation	-	-	-	-
	2008/09 TfL allocation	-	-	-	-
	2009/10 TfL allocation	-	-	-	-
	Walking	75	71	(4)	-
	Local Choice on Transport Priorities	62	57	(4)	-
Highways Investment	2006/7 & 2007/08 Programme	-	-	-	-
	2008/09 HIP Programme	-	-	-	-
	2009/10 HIP Programme	248	44	(204)	Variance is to be considered across the programme category. Brought forward allocations to be reprofiled for spend in 2011.
	2010/11 HIP Programme	2,298	2,124	(174)	Variance is to be considered across the programme category. Brought forward allocations to be reprofiled for spend in 2011.
School Travel Plans (STPs)	2007/08 Allocation	-	-	-	-
	2008/09 Allocation	-	-	-	-
	2009/10 Allocation	69	70	1	-
	2008/9 Allocation	-	-	-	-
Carriageway and Footways	Annual Programme	193	120	(72)	£40k SDU allocation not directed for use as a result of changing priorities. Further spend expected in 2011 for Town Centre Schemes.
	Capitalisation of planned maintenance	-	-	-	-
Old SDU codes (Town Centre Regeneration)	Regeneration & Improvement	-	-	-	-
	North Finchley Regeneration	-	-	-	-
Travel Plan Implementation		33	-	(33)	-
Congestion Reduction Methods	Congestion Reduction Methods	26	114	88	Prior year's financing resulted in a loss of funding. Project completed to original allocation & funded from underspends elsewhere.
	Grahame Park / Cricklewood Transport Improvements	-	-	-	-
Local Accessibility Scheme	2008/09 LAS Programme	-	-	-	-
	Non-year specific	-	-	-	-
	2009/10 LAS Programme	3	3	-	-
Pothole Elimination Programme	Phase I	693	693	-	-
	Phase II	1,944	1,984	40	-
Outstanding Transport Commitments on completed schemes		6	2	(4)	-
Walk London	Walk London	84	43	(40)	-
	Improvements to six of the Borough's Park	72	-	(72)	Projects delayed by DPR clearance resulting in works not starting.
Local Implementation Plan	Road Maintenance	764	686	(78)	Allocation partly slipped forward at provisional as some works will carry forward & be completed early in the 2011 year
	Corridors	1,979	1,333	(646)	Allocation partly slipped forward at provisional as some works will carry forward & be completed early in the 2011 year
			43		

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
	Neighbourhoods	1,725	734	(991)	Allocation partly slipped forward at provisional as some works will carry forward & be completed early in the 2011 year
	Smarter Travel	776	677	(99)	Allocation partly slipped forward at provisional as some works will carry forward & be completed early in the 2011 year
	Cycling on Greenways	30	-	(30)	-
	Local Transport Funding	100	-	(100)	Allocation reduced at provisional as a result of a reduction in TFL funding
Highways Schemes		15,080	10,340	(4,740)	
Total Environment & Operations		15,800	10,553	(5,247)	
Commercial Services					
Arts Depot Lift		2	-	(2)	-
NLBP - relocation of staff		39	-	(39)	-
Electronic Social Care Record (ESCR)		-	-	-	-
Electronic Documents and Records Management System (EDRM)		720	258	(462)	The project is in the process of redefining priorities and deliverables and therefore spend in year is lower than expected
Norwell Case Management Implementation		-	-	-	-
Business System Disaster Recovery		160	-	(160)	The disaster recovery specification has been delayed to take into account recommendations of the Internal Audit report on Business continuity and disaster recovery. This and competing priorities in support of the Customer and Support Services Organisation has delayed the project.
Shared Service Centre		50	-	(50)	This project has been delayed due to difficulties in identifying a product compatible with encryption software that is able to allow users to reset their own SAP and Network passwords.
SWIFT		66	29	(37)	The final aspect of the remedial actions for SWIFT was to implement an Oracle support contract, the procurement exercise has been completed and a preferred supplier identified but spend will now fall in 2011/12.
Education Management Information System		-	-	-	-
Corporate Software Licensing		-	-	-	-
Energy Efficiency Measures		160	120	(40)	-
Accommodation Strategy	Hendon Complex Middx University move	-	-	-	-
	HTH Committee room refurbishment	151	146	(5)	-
	New IT Centre	-	-	-	-
	Office consolidation	929	728	(201)	Delays to work on the second floor and some activities being rescheduled to commence in 11/12 has reduced projected spend for this year
HTH Car Park	HTH Car Park	-	-	-	-
Friary House		577	556	(21)	-
Mobile Working Strategy Development		-	-	-	-
Modernising the Way We Work		732	346	(387)	Delays to work on the second floor and some activities being rescheduled to commence in 11/12 has reduced spend for this year
Project & Programme Management Software		10	-	(10)	-
Air Conditioning: Resources Centre - Bldg 4		20	45	25	-
Depot relocation		200	133	(67)	The project is in feasibility study stage and therefore spend in 2010/11 is lower than anticipated
Commercial Services		3,816	2,360	(1,456)	
Total Commercial Services		3,816	2,360	(1,456)	

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
Chief Executive Services					
Land & Assets Programme	Plantech Implementation programme	23	2	(20)	-
	GIS	45	33	(12)	-
Libraries Strategy	Libraries Strategy	58	22	(35)	-
	Minor Works	2	2	(0)	-
Customer Relationship Management (CRM)		141	51	(90)	spend is lower in 2010/11 due to interdependencies with the consolidation project which is awaiting final sign-off from services.
Chief Executive Services		268	110	(158)	
Total Chief Executive Services		268	110	(158)	
Deputy Chief Executive Services					
Pericles		485	314	(171)	The project has overrun significantly from it's original go live date and therefore spend lower than anticipated
Deputy Chief Executive Services		485	314	(171)	
Total Deputy Chief Executive Services		485	314	(171)	
Housing - General Fund					
Housing Association Programme		691	691	-	-
Housing Association Programme		691	691	-	
General Fund Regeneration		1,010	709	(301)	Money identified for shared equality schemes over the whole of the program
West Hendon		3,850	3,850	-	-
Mill Hill East		550	231	(319)	Scheme started mid year - money required for costs in future years.
General Fund Regeneration		5,410	4,790	(620)	
Disabled Facilities Grant	Mandatory	1,304	1,382	78	Higher number of cases than expected at year end
	Discretionary	119	100	(19)	-
Disabled Facilities Projects		1,423	1,482	59	
Housing Management System		20	25	5	-
Housing Management System		20	25	5	
Greentop Centre		-	-	-	-
Open Space Landscaping		113	113	-	-
Hostel Refurbishment Programme		620	467	(153)	Delay in the start of the program.
Environmental Officer - capitalisation of salary		80	80	-	-
Other Projects		813	661	(152)	
Total Housing - General Fund		8,357	7,649	(708)	
Total Capital Programme (Excluding HRA)		81,910	66,606	(15,304)	
Housing - HRA					
Cash Incentives		427	322	(105)	Lower number of cases occurred then expected - Slippage to be roll forward to 2011-12
Partnering Packages	Barnet	4,100	3,627	(473)	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
	Finchley	4,100	3,856	(244)	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
			45		

Capital Programme Description	Sub-Description	Current 2010/11 Budget (incl. Slippage and Substitutions)	2010/11 Actual Expenditure (incl Accruals)	Variance from Revised Budget	Explanation if variance over £50,000
		£'000	£'000	£'000	
	Hendon/Edgware	300	250	(50)	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
	Sheltered/Hostels	50	15	(35)	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
Renovations/Modernisation - future years		4,044	2,850	(1,194)	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
Granville Road, Tower Blocks		1,224	1,487	263	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
Adaptions		1,000	1,021	21	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
Regeneration Estates		1,550	987	(563)	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
Miscellaneous Works		1,889	2,092	203	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
Extensions and Deconversions		(423)	296	719	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
Transitional Programme		-	-	-	HRA capital projects managed by Barnet Homes to the total programme budget. Individual project variances exist due to outstanding budget realignments.
		-	942	942	
Total HRA		18,261	17,746	(516)	The variance in the budget is slippage on a certain number of projects due to technical difficulties on site. Resolving these difficulties has caused delays to the overall programme. All slippage on last year's schemes will be completed this financial year.
Total Capital Programme		100,171	84,352	(15,820)	

2010/11 Capital Programme Financing - Actual

Service	Financing Source					
	Grants £'000	S106 £'000	Capital Receipts £'000	Revenue / MRA £'000	Borrowing £'000	Total £'000
Adults Services	1,052	-	-	-	-	1,052
Central Expenses	-	-	912	-	-	912
Children's Service	27,670	1,037	1,188	-	13,668	43,562
Corporate Governance	-	-	43	51	-	94
Commercial Services	-	-	2,360	-	-	2,360
Chief Executive	-	-	110	-	-	110
Deputy Chief Executive	-	-	314	-	-	314
Environment & Operations	5,530	871	2,845	-	1,307	10,552
Planning, Housing & Regenerat	4,655	791	2,203	-	-	7,649
Non-HRA Total	38,907	2,698	9,976	51	14,975	66,606
Housing (HRA)	1,488	-	-	5,854	10,404	17,747
Grand Total	40,395	2,698	9,976	5,905	25,379	84,352

Revenue Budget 2010/11

Special Parking Account

	2009/10	2010/11	2010/11	2010/11
	Actual	Original Estimate	Current Estimate	Actual
	£	£	£	£
Income				
Penalty Charge Notices	(4,425,726)	(4,842,190)	(4,743,150)	(3,970,934)
Permits	(1,015,225)	(1,338,950)	(1,311,560)	(1,179,924)
Pay & Display	(2,531,827)	(3,278,230)	(3,211,180)	(2,109,547)
CCTV Bus lanes	(1,523,629)	(1,779,520)	(1,743,120)	(1,099,820)
Total Income	(9,496,406)	(11,238,890)	(11,009,010)	(8,360,225)
Operating Expenditure	6,751,712	5,746,890	6,299,290	6,271,885
Net Operating Surplus	(2,744,694)	(5,492,000)	(4,709,720)	(2,088,340)
Add Capital Expenditure / Debt Charge		400,000	400,000	
Net Expenditure in Year	(2,744,694)	(5,092,000)	(4,309,720)	(2,088,340)
Balance brought forward	(408,500)	(408,500)	(408,500)	(408,500)
Appropriation to General Fund	2,744,694	5,092,000	4,309,720	2,088,340
Balance Carried Forward	(408,500)	(408,500)	(408,500)	(408,500)

Special Parking Account	£000
Balance brought forward 1st April 2010	(409)
Net Revenue Surplus for the Year	(2,088)
Capital Funding	-
Transfer to General Fund	2,088
Balance at 31 March 2010	(409)

AGENDA ITEM: 6

Pages 51 – 68

Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	Treasury Management Outturn for the year ended 31 March 2011
Report of	Cabinet Member for Resources and Performance
Summary	To report on Treasury Management activity in the year to 31 March 2011.

Officer Contributors	John Hooton - Assistant Director of Strategic Finance Karen Bannister – Head of Treasury and Pensions
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Money Market and PWLB Rates Appendix B – Deposits as at 31 March 2011 with Credit Ratings Appendix C – Compliance with Prudential Indicators Appendix D – List of School Banking Institutions Appendix E – Barnet Credit Profile
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Karen Bannister, Head of Treasury and Pensions, 020 8359 7119.

1. RECOMMENDATIONS

1.1 That the Treasury Management activity and outturn for 2010/2011 be noted.

1.2 That the Committee consider any areas on which it would like to receive further information.

2. RELEVANT PREVIOUS DECISIONS

2.1 The Leader of the Council and Cabinet Member for Resources approved under delegated powers (DPR 712) on 5 December 2008 the Treasury Management Strategy 2008/09 – Deposit Counterparty Limits.

2.2 Cabinet Resources Committee, 16 March 2010 (Decision item 9) – Treasury Management Strategy 2010/11.

2.3 Special Committee (Constitution Review), 25 March 2010 (Decision item 8) – Amending the Council's Financial Regulations.

2.4 Cabinet Resources Committee, 30 November 2010 (Decision item 6) Amending the Treasury Management Strategy 2010/11.

2.5 Council, 1 March 2011 (Decision item 10 – Treasury Management Strategy 2011/12.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Treasury Management Strategy (TMS) ensures effective treasury management supports the achievement of the Council's corporate priority for 2010-2013, 'Better services with less money', through the strategic objective "manage resources and assets effectively and sustainably across the public sector in Barnet". The TMS is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

4. RISK MANAGEMENT ISSUES

4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and deposit portfolios.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The management of the Council's cash flow ensures the availability of adequate monies to pay for the delivery of the authority's public duties.

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

6.1 The Council budgeted for a net interest benefit of £1.29m in 2010/2011, it exceeded the budget to achieve £1.49m (£1.65m in 2009/2010 financial year).

6.2 The wider financial implications for the Council are dealt with in section 9 of this report.

7. LEGAL ISSUES

7.1 None other than those mentioned in the body of this report.

8. CONSTITUTIONAL POWERS

- 8.1 Financial Regulations (Part 1, Section 7) within the Council Constitution state:
- (1) This organisation adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that Code.
 - (2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.
 - (3) The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - (4) The content of the policy statement and TMPs will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.
 - (5) Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.
- 8.2 Responsibilities for Function, Section 3.6 states that a function of the Cabinet Resources Committee is to "consider reports on Treasury Management Strategy and activity, including creating and maintaining a Treasury Management Policy Statement."

9. BACKGROUND INFORMATION

9.1 Treasury Management Strategy

- 9.1.1 The Council's amended Treasury Management Strategy 2010/11 was approved at Cabinet Resources Committee on 30 November 2010. The TMS 2010/11 reflects the Council Budget 2010-2011 Financial Forward Plan and Capital Programme. They set out the timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing.
- 9.1.2 The key changes introduced by the amended Treasury Management Strategy 2010/2011 were:
- (i) The extension of the maximum permissible duration of investments from 92 days to 364 days to bring the strategy in line with that of other local authorities and to enable a higher rate of return on investments.
 - (ii) The adoption of Arlingclose's (the Council's treasury advisors) counterparty list which includes the Debt Management Account Deposit Facility, T-Bills, UK local authorities, UK and non-UK banks and AAA-rated Money Market Funds.
- 9.1.3 The Treasury Management Strategy 2011/12 was approved by Council on the 1st of March 2011.

9.1.4 The TMS is under constant review to reflect market conditions and the financing requirements of the Council.

9.2 Icelandic Bank Deposits

9.2.1 The outcome of Icelandic Bank litigation remains the single most important financial risk facing the Council. Our current balance sheet assumes that the Council retains priority status as a creditor of the two banks through the wind-up process. On the 1st of April, the Icelandic District Court ruled that deposits placed by UK wholesale depositors (including Local Authorities) would have priority in the winding up of Glitnir and Landsbanki banks. Whilst this is a positive outcome, the judgement is almost certain to be appealed, so there is likely to be a continued period of uncertainty. The most significant risk for the Council is that ultimately priority status will not be maintained leading to a much lower level of eventual recovery of funds.

9.2.2 The decision has now been appealed. The Council's external legal advisers on this matter, Bevan Brittan Solicitors, are of the view that the appeal will be heard in September appeal date.

9.2.3 The additional potential cost is estimated at £14.1m, and this could crystallise in accordance with events in the judicial process. The Council applied for a capitalisation direction in 2010/11 to provide additional flexibility in dealing with the potential additional cost, but this was declined by government. A key aim of Financial Strategy is therefore to set aside sufficient revenue funding in the risk reserve. Should this risk crystallise prior to sufficient funds being identified in the risk reserve, other reserves would need to be utilised and then replenished as a priority within the Financial Strategy.

9.3 Economic Background for the Year to 31 March 2011

9.3.1 At the time of setting the 2010/11 strategy, interest rates were expected to remain low in response to the fragile state of the UK economy. Spending cuts and tax increase seemed inevitable post the General Election if the government has a clear majority. The markets had, at the time, viewed a hung parliament as potentially disruptive particularly if combined with a failure to articulate a plan to reduce government borrowing. The outlook for growth was uncertain.

9.3.2 The economy grew by just 1.3% in the 2010 calendar year and the forecast for 2011 was revised down to 1.7% by the Office of Budget Responsibility in March. Higher commodity, energy and food prices and the increase in VAT to 20% pushed the February 2011 annual inflation figure to 4.4%. The Bank Rate held steady at 0.5% as the economy grappled with uneven growth and austerity measures set out in the coalition government's Comprehensive Spending Review. Significant cuts were made to public expenditure and, in particular, local government funding.

9.3.3 The US Federal Reserve (the Fed) kept rates on hold at 0.25% following a slowdown in American growth. The European Central Bank maintained rates at 1%, with markets expecting a rate rise in early Spring.

9.3.4 The credit crisis migrated from banks to European sovereigns. The ratings of Ireland and Portugal were downgraded to the "triple-B" category whilst the rating of Greece was downgraded sub-investment (or "junk") grade. The sovereign rating of Spain was also downgraded but remained in the "double-A" category. The results from the EU Bank Stress Tests, co-ordinated by the Committee of European Banking Supervisors,

highlighted that only 7 out of the 91 institutions failed the “adverse scenario” tests. The tests were a helpful step forward, but there were doubts if they were far-reaching or demanding enough. The main UK banks’ (Barclays, HSBC, Lloyds, and RBS) Tier 1 ratios all remained above 9% under both the “benchmark scenario” and the “adverse scenario” stress tests.

- 9.3.5 Gilts benefited from the decisive Comprehensive Spending Review (CSR) plans as well as from their relative “safe havens” status in the face of European sovereign weakness. Five-year and 10-year gilt yields fell to lows of 1.44% and 2.83% respectively. However yields rose in the final quarter across all gilt maturities on concern that higher inflation would become embedded and greatly diminish the real rate of return for fixed income investors.
- 9.3.6 The TMS will be kept under review specifically in terms of market conditions, benchmarks and yield.

9.4 Borrowing Performance

- 9.4.1 A borrowing requirement of £31.7m (£10.4m related to the Housing Revenue Account) was forecast for 2010/11 and a borrowing requirement of £21.83 (£0 HRA) has been forecast for 2011/12. The capital programme is kept under constant review and any changes that impact on the external borrowing will be reported to this committee.
- 9.4.2 The total value of long term loans dropped from £214.5m at 31 March 2010 to £202.5 at 31 March 2011. The average cost of borrowing increased slightly from 4.09% to 4.10%.
- 9.4.3 Given the significant cuts to local government funding putting pressure on Council finances, the decision was taken to minimise debt interest payments with compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council’s temporary investment returns was significant (just over 3%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. This position will be reviewed following a full 2010/11 balance sheet review that will be undertaken by Arlingclose.

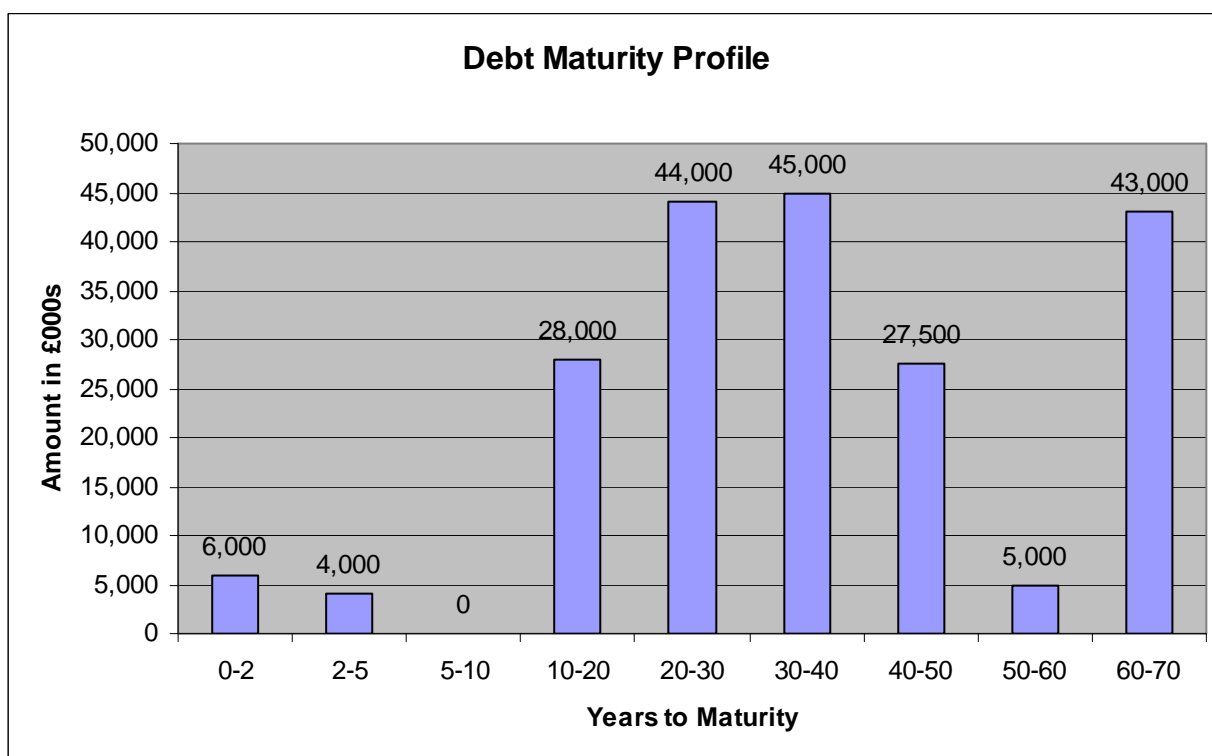
9.5 Current Portfolio

- 9.5.1 The Council’s long term debt position at the beginning and end of the part year was as follows:

	31 March 2011		31 March 2010	
	Principal	Average Rate	Principal	Average Rate
PWLB	£140.00m	4.19%	£147.00m	4.21%
Market	£57.50m	3.82%	£62.50m	3.82%
Temporary	£5.00m	4.50%	£5.00m	4.50%
	£202.50m	4.10%	£214.50m	4.09%

- 9.5.2 The Council’s long-term debt portfolio is a mixture of PWLB and market loans in the form of LOBOs (Lender’s Option Borrower’s Option), loans that are at a fixed interest rate for an initial period, following which the lender can change the interest rate but the borrower has the option to repay the loan if the rate is changed and not considered value for money.

The Council's current debt maturity profile is outlined in the graph below.



9.5.3 In order to comply with accounting standards for financial instruments, some of the market loans in the debt portfolio have been recalculated on an effective interest rate basis as opposed to being calculated on an amortised cost basis. The total value of loans in question before re-measurement was £9.5m; and additional charge of 0.36m has now been added to the carrying value of these loans.

9.5.4 Money Market data and PWLB rates are attached at Appendix A.

9.6 Investment Performance

9.6.1 The CLG's revised Investment Guidance came into effect on 1 April 2010 and reiterated the need to focus on security and liquidity, rather than yield. Security of capital remained the Authority's main investment objective. This was maintained by following and complying with the counterparty policy as out in the Treasury Management Strategy 2010/11.

9.6.2 Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The credit score analysis is attached at Appendix E.

9.6.3 Deposits are managed internally. At 31 March 2011, deposits outstanding amounted to £135.35m (including £5.97m of Icelandic impairments), achieving an average rate of return of 0.94% (adjusted for Icelandic deposits) against a benchmark of 0.43%.

9.6.4 The benchmark is the average 7-day LIBID rate is provided by the authority's treasury advisors Arlingclose. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

9.6.5 The Council outperformed the benchmark return by 0.28%, which based on the average balance invested for the year produced some £385,560 additional interest.

9.7 Prudential Indicators

9.7.1 The Local Government Act 2003 requires the Council to set and Affordable Borrowing Limit, irrespective of it's indebted status. This is a statutory limit which should not be breached. The Council's Authorised Limit (also known as the Affordable Borrowing Limit) was set at £334.15m for 2010/11.

9.7.3 The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included with the Authorised Limit. The Council's Operational Boundary for 2010/11 was set at £319.15m.

9.7.4 During the year to 31 March 2011 there were no breaches of the Authorised Limit and the Operational Boundary.

9.7.5 Further details of compliance with prudential indicators are contained in Appendix C.

9.8 Compliance

9.8.1 The current 2010/2011 TMS was approved by this Committee on 17 March 2010 and subsequently amended on 30 November 2010. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.

9.8.2 As at 31 March 2011, the Council had deposits outstanding with a total value of £135.35 (£5.96m of which is Icelandic impairments) of which four Icelandic deposits totalling £27.4m fell outside the TMS as approved on 30 November 2010. A list of deposits outstanding and counterparty credit ratings at 31 March 2011 is attached as Appendix B.

9.8.3 All Deposits placed during the year ended 31 March 2011 were compliant with the TMS as approved on 30 November 2010.

9.8.4 Treasury management procedures are monitored and reviewed in light of CIFPA guidance and current market conditions.

9.8.5 The Department of Education have recently changed their guidance on schools banking arrangements. The new guidance requires schools to bank with institutions that meet the requirements of approved counterparties as identified in the Treasury Management Strategy. Appendix D contains a list of schools who currently bank with institutions that fall outside the Treasury Management Strategy.

9.9 Reform the Council Housing Finance

- 9.9.1 In the publication Implementing Self-Financing for Council Housing issued in February 2011 the CLG set out the rationale, methodology and financial parameters for the initiative. Subject to the Localism Bill receiving Royal Assent and a commencement order being passed, the proposed transfer date is Wednesday 28th March 2012 (in line with PWLB timetables on the payment/receipt of funds to clear by the 31st of March 2012).
- 9.9.2 The self-financing model provides an indicative sustainable level of opening housing debt. As the Council's debt level generated by the model is higher than the Subsidy Capital Financing Requirement (SCFR), the Council will be required to pay the CLG the difference between the two, which is approximately £110m. This will require the Council to fund this amount in the medium term through internal resources and/or external borrowing. The Council has the option of borrowing from the PWLB or the market.
- 9.9.3 The treasury management implications of HRA reform and an appropriate strategy to manage the process are being actively reviewed with the Council's Treasury Advisor including the issues surrounding any early pre-funding of the significant settlement payment (primarily the powers to borrow and the cost of carry).

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal – PD
CFO – MC

Appendix A

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2010	0.50	0.35	0.35	0.42	0.51	0.81	1.26	1.54	2.07	2.82
30/04/2010	0.50	0.30	0.30	0.43	0.53	0.83	1.29	1.70	2.23	2.95
31/05/2010	0.50	0.45	0.50	0.61	0.60	0.85	1.35	1.46	1.89	2.58
30/06/2010	0.50	0.35	0.35	0.45	0.61	0.94	1.38	1.40	1.79	2.42
31/07/2010	0.50	0.40	0.40	0.50	0.71	1.01	1.46	1.36	1.75	2.39
31/08/2010	0.50	0.40	0.55	0.50	0.71	1.00	1.45	1.20	1.47	2.02
30/09/2010	0.50	0.30	0.25	0.51	0.72	1.01	1.46	1.24	1.51	2.05
31/10/2010	0.50	0.48	0.40	0.51	0.72	1.01	1.46	1.26	1.53	2.08
30/11/2010	0.50	0.40	0.51	0.51	0.72	0.88	1.46	1.32	1.66	2.30
31/12/2010	0.50	0.40	0.40	0.51	0.72	1.01	1.47	1.49	1.94	2.61
31/01/2011	0.50	0.40	0.55	0.52	0.64	1.04	1.52	1.74	2.21	2.90
28/02/2011	0.50	0.40	0.54	0.53	0.68	1.09	1.56	1.85	2.29	2.95
31/03/2011	0.50	0.30	0.50	0.54	0.80	1.11	1.58	1.85	2.31	2.96
Minimum	0.50	0.30	0.25	0.42	0.51	0.75	1.00	1.13	1.37	1.92
Average	0.50	0.39	0.43	0.50	0.67	0.98	1.44	1.50	1.90	2.54
Maximum	0.50	0.55	0.55	0.80	0.80	1.11	1.58	1.97	2.49	3.19
Spread		0.25	0.30	0.38	0.29	0.36	0.58	0.84	1.12	1.26

Table 2 : PWLB Borrowing Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	0.81	2.84	4.14	4.21	4.60	4.61	4.63
30/04/2010	089/10	0.85	2.86	4.13	4.20	4.61	4.61	4.60
28/05/2010	127/10	0.73	2.46	3.76	3.83	4.36	4.38	4.38
30/06/2010	171/10	0.67	2.27	3.54	3.62	4.22	4.28	4.27
30/07/2010	217/10	0.70	2.29	3.55	3.62	4.32	4.41	4.40
31/08/2010	259/10	0.63	1.84	3.05	3.13	3.82	3.93	3.93
30/09/2010	303/10	0.64	1.88	3.14	3.86	4.00	4.03	4.02
29/10/2010	346/10	1.58	2.90	4.23	5.06	5.2	5.22	5.2
30/11/2010	390/10	1.56	3.05	4.40	5.18	5.26	5.25	5.23
31/12/2010	430/10	1.65	3.33	4.58	5.18	5.23	5.20	5.16
31/01/2011	040/11	1.79	3.57	4.80	5.40	5.46	5.44	5.40
28/02/2011	080/11	1.87	3.61	4.75	5.33	5.38	5.35	5.31
31/03/2011	126/11	1.89	3.57	4.71	5.27	5.30	5.27	5.24
	Low	0.60	1.81	3.05	3.82	3.93	3.93	3.92
	Average	1.19	2.79	4.05	4.72	4.79	4.78	4.76
	High	1.99	3.84	5.00	5.50	5.55	5.53	5.48

Table 3: PWLB Repayment Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	0.56	2.38	3.82	4.35	4.36	4.26	4.19
30/04/2010	089/10	0.62	2.43	3.83	4.37	4.38	4.33	4.30
28/05/2010	127/10	0.50	2.04	3.44	4.12	4.15	4.11	4.10
30/06/2010	171/10	0.44	1.86	3.23	3.98	4.05	4.00	3.97
30/07/2010	217/10	0.47	1.88	3.23	4.08	4.18	4.13	4.10
31/08/2010	259/10	0.40	1.45	2.73	3.57	3.70	3.66	3.62
30/09/2010	303/10	0.41	1.48	2.82	3.62	3.77	3.76	3.73
29/10/2010	346/10	0.47	1.61	3.03	3.93	4.09	4.07	4.03
30/11/2010	390/10	0.45	1.75	3.20	4.06	4.15	4.10	4.06
31/12/2010	430/10	0.54	2.04	3.39	4.07	4.12	4.05	3.99
31/01/2011	040/11	0.68	2.27	3.62	4.28	4.35	4.29	4.22
28/02/2011	080/11	0.76	2.32	3.57	4.21	4.26	4.20	4.13
31/03/2011	126/11	0.78	2.29	3.53	4.15	4.19	4.12	4.07
	Low	0.37	1.40	2.73	3.57	3.70	3.66	3.62
	Average	0.55	1.97	3.33	4.07	4.15	4.10	4.06
	High	0.88	2.54	3.94	4.47	4.46	4.38	4.35

Table 4: PWLB Borrowing Rates - Fixed Rate, EIP Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	--	1.78	2.94	4.18	4.53	4.60	4.62
30/04/2010	089/10	--	1.82	2.96	4.16	4.53	4.61	4.62
28/05/2010	127/10	--	1.52	2.55	3.79	4.24	4.36	4.39
30/06/2010	171/10	--	1.38	2.36	3.58	4.06	4.23	4.27
30/07/2010	217/10	--	1.42	2.38	3.58	4.11	4.33	4.40
31/08/2010	259/10	--	1.12	1.92	3.09	3.61	3.82	3.91
30/09/2010	303/10	--	1.14	1.96	3.18	3.67	3.87	3.96
29/10/2010	346/10	--	2.11	2.98	4.27	4.84	5.07	5.16
30/11/2010	390/10	--	2.19	3.14	4.44	4.99	5.19	5.25
31/12/2010	430/10	--	2.43	3.42	4.62	5.05	5.19	5.23
31/01/2011	040/11	--	2.62	3.66	4.84	5.25	5.40	5.45
28/02/2011	080/11	--	2.71	3.69	4.79	5.18	5.33	5.38
31/03/2011	126/11	--	2.69	3.65	4.74	5.14	5.28	5.31
	Low		1.10	1.89	3.09	3.61	3.82	3.91
	Average		1.91	2.87	4.08	4.55	4.72	4.77
	High		2.88	3.93	5.03	5.38	5.51	5.55

Table 5: PWLB Repayment Rates - Fixed Rate, EIP Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2010	064/10	--	1.40	2.59	3.89	4.27	4.35	4.37
30/04/2010	089/10	--	1.46	2.63	3.90	4.29	4.38	4.39
28/05/2010	127/10	--	1.18	2.23	3.53	4.00	4.13	4.16
30/06/2010	171/10	--	1.05	2.04	3.31	3.82	3.99	4.04
30/07/2010	217/10	--	1.08	2.06	3.32	3.87	4.09	4.17
31/08/2010	259/10	--	0.82	1.61	2.82	3.36	3.59	3.68
30/09/2010	303/10	--	0.83	1.65	2.91	3.43	3.63	3.73
29/10/2010	346/10	--	0.92	1.79	3.12	3.71	3.95	4.05
30/11/2010	390/10	--	0.99	1.94	3.29	3.86	4.07	4.14
31/12/2010	430/10	--	1.21	2.22	3.47	3.93	4.07	4.12
31/01/2011	040/11	--	1.40	2.46	3.69	4.13	4.29	4.34
28/02/2011	080/11	--	1.49	2.50	3.64	4.06	4.22	4.27
31/03/2011	126/11	--	1.47	2.46	3.60	4.02	4.16	4.20
	Low		0.75	1.57	2.82	3.36	3.59	3.68
	Average		1.17	2.15	3.41	3.90	4.08	4.14
	High		1.65	2.74	4.02	4.40	4.47	4.47

Table 6: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2010	0.65	0.65	0.70			
30/06/2010	0.65	0.70	0.70			
30/09/2010	0.65	0.70	0.70			
31/12/2010	0.70	0.70	0.75	1.60	1.60	1.65
31/03/2011	0.67	0.76	0.88	1.57	1.66	1.78
Low	0.65	0.65	0.68	1.55	1.56	1.58
Average	0.66	0.68	0.73	1.57	1.61	1.68
High	0.70	0.79	0.90	1.60	1.69	1.80

Table 7: Credit Score Analysis

Scoring:

Long-Term Credit Rating	Score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
Not rated	11
BB	12
CCC	13
C	14
D	15

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Council aims to achieve a score of 5 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A+ for investment counterparties.

DEPOSITS OUTSTANDING AS AT 31 MARCH 2011

APPENDIX B

Deal Number	Counter Party	Deposit Date	Maturity Date	Rate of Interest	Amount Outstanding	Max Limit	Actual Limit	Fitch Rating				Moody's Rating			S&P Ratings		
								L Term	S Term	Indiv	Support	L Term	S Term	Fin Stgth	L Term	S Term	
Debt Management Agency Deposit Facility																	
Local Authorities																	
2000011089	BIRMINGHAM CITY COUNCIL	04-Mar-11	11-Apr-11	0.52	3,500,000	No Limit		2.59%									
2000011100	LANCASHIRE COUNTY COUNCIL	15-Mar-11	06-Apr-11	0.6	8,000,000	No Limit		5.91%									
2000011098	SOUTHAMPTON CITY COUNCIL	15-Mar-11	15-Apr-11	0.6	4,100,000	No Limit		3.03%									
2000011018	THURROCK BOROUGH COUNCIL	04-Jan-11	04-Apr-11	0.65	5,000,000	No Limit		3.69%									
2000011083	WEST YORKSHIRE F & R AUTH	01-Mar-11	01-Jun-11	0.7	1,000,000	No Limit		0.74%									
UK Banks & Building Societies																	
2000011027	BANK OF SCOTLAND	11-Jan-11	10-Jan-12	2	4,000,000	15%	14.78%	AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000011028	BANK OF SCOTLAND	11-Jan-11	11-Oct-11	1.6	5,000,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000011070	BANK OF SCOTLAND	17-Feb-11	17-Feb-12	2.1	4,500,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000010341	BANK OF SCOTLAND CORPORA	09-Sep-09	Call Account	0.75	6,500,000			AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	
2000010527	BARCLAYS COMMERCIAL BANK	11-Feb-10	Call Account	0.45	12,350,000	15%	9.12%	AA-	F1+	B	1	Aa3	P-1	C	AA-	A-1+	
2000011023	NATIONWIDE BUILD. SOC.	05-Jan-11	05-Apr-11	0.65	10,000,000	15%	14.78%	AA-	F1+	B	1	Aa3	P-1	C-	A+	A-1	
2000011036	NATIONWIDE BUILD. SOC.	17-Jan-11	31-Oct-11	1.24	10,000,000			AA-	F1+	B	1	Aa3	P-1	C-	A+	A-1	
2000011000	ROYAL BANK OF SCOTLAND	08-Dec-10	07-Dec-11	1.43	4,000,000	15%	10.34%	AA-	F1+	C/D	1	Aa3	P-1	C-	A+	A-1	
2000011006	ROYAL BANK OF SCOTLAND	15-Dec-10	15-Sep-11	1.22	10,000,000			AA-	F1+	C/D	1	Aa3	P-1	C-	A+	A-1	
2000011001	SANTANDER CORP BANKING	08-Dec-10	Call Account	0.8	20,000,000	15%	14.78%	AA-	F1+	B	1	Aa3	P-1	C-	AA	A-1+	
Non UK Banks & Building Societies																	
Investments outside TMS																	
Icelandic Banks																	
2000005163	GLITNER BANK (ICELAND)	07-Nov-06	frozen		7,000,000												9.16%
2000005218	GLITNER BANK (ICELAND)	24-Jan-07	frozen		3,000,000												
2000005226	GLITNER BANK (ICELAND)	07-Feb-07	frozen		2,400,000												
2000005511	LANDISBANKI ISLANDS H.F.	28-Sep-07	frozen		15,000,000												11.08%
TOTAL VALUE OF INVESTMENTS					135,350,000			100.00%									
LESS ICELANDIC IMPAIRMENT					-5,969,000												
					129,381,000												

Appendix C: Prudential Indicator Compliance

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2010/11 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	40
Compliance with Limits:	Yes

Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 28/03/11	% Fixed Rate Borrowing as at 28/03/11	Compliance with Set Limits?
Under 12 months	0	50	5,000,000	2.47%	Yes
12 months and within 24 months	0	50	0	0	Yes
24 months and within 5 years	0	75	4,000,000	1.98%	Yes
5 years and within 10 years	0	75	0	0%	Yes
10 years and above	0	100	193,500,000	95.55%	Yes

Appendix D: List of Schools Banking Institutions

School	Banking
Bishop Douglass	Allied Irish
Finchley Catholic High	Allied Irish
St James' Catholic High	Allied Irish
St Michaels Cath Gram	Allied Irish
Osidge JMI	Barclays
Mill Hill High	Barclays
Akiva	Barclays
All Saints NW2	Co-Operative
All Saints N20	Co-Operative
Annunciation Inf	Co-Operative
Annunciation Jun	Co-Operative
Barnfield	Co-Operative
Beis Yaakov	Co-Operative
Bell Lane	Co-Operative
Blessed Dominic	Co-Operative
Broadfields Primary	Co-Operative
Brookland Inf	Co-Operative
Brookland Jun	Co-Operative
Brunswick Park	Co-Operative
Chalgrove	Co-Operative
Childs Hill	Co-Operative
Christchurch JMI	Co-Operative
Church Hill	Co-Operative
Claremont Primary	Co-Operative
Colindale	Co-Operative
Coppetts Wood	Co-Operative
Courtland	Co-Operative
Cromer Road	Co-Operative
Deansbrook Inf	Co-Operative
Deansbrook Jun	Co-Operative
Dollis Inf	Co-Operative
Edgware Inf	Co-Operative
Edgware Jewish Primary	Co-Operative
Edgware Jun	Co-Operative
Fairway	Co-Operative
Foulds	Co-Operative
Frith Manor	Co-Operative
Garden Suburb Inf	Co-Operative
Garden Suburb Jnr	Co-Operative
Goldbeaters	Co-Operative
Grasvenor Avenue Inf	Co-Operative
Hasmonean Primary	Co-Operative
Hollickwood	Co-Operative
Holly Park	Co-Operative
Holy Trinity	Co-Operative

Hyde	Co-Operative
Independent Jewish	Co-Operative
Livingstone	Co-Operative
Manorside	Co-Operative
Martin Primary School	Co-Operative
Menorah Primary	Co-Operative
Monken Hadley CE	Co-Operative
Monkfrith	Co-Operative
Moss Hall Inf	Co-Operative
Moss Hall Jun	Co-Operative
Northside	Co-Operative
Orion	Co-Operative
Our Lady of Lourdes	Co-Operative
Pardes House	Co-Operative
Parkfield	Co-Operative
Queenswell Inf	Co-Operative
Queenswell Jun	Co-Operative
Rosh Pinah	Co-Operative
Sacred Heart	Co-Operative
St Agnes RC	Co-Operative
St Andrews CE	Co-Operative
St Catherines RC	Co-Operative
St Johns CE N11	Co-Operative
St Johns CE N20	Co-Operative
St Josephs RC Inf	Co-Operative
St Josephs RC Jun	Co-Operative
St Mary's & St Johns Primary	Co-Operative
St Marys CE N3	Co-Operative
St Marys CE EB	Co-Operative
St Pauls CE N11	Co-Operative
St Therasas RC	Co-Operative
St Vincents RC	Co-Operative
Summerside	Co-Operative
Sunnyfields	Co-Operative
Trent	Co-Operative
Tudor	Co-Operative
Underhill Inf	Co-Operative
Underhill Jun	Co-Operative
Wessex Gardens	Co-Operative
Whitings Hill	Co-Operative
Woodcroft Primary	Co-Operative
Woodridge	Co-Operative
Christs College Finchley	Co-Operative
Copthall	Co-Operative
Friern Barnet	Co-Operative
Hasmonean High	Co-Operative
Henrietta Barnett	Co-Operative
JCoSS	Co-Operative

Ravenscroft	Co-Operative
Whitefield	Co-Operative
Mapledown	Co-Operative
Northway	Co-Operative
Oak Lodge	Co-Operative
Oakleigh	Co-Operative
BrookHill Nursery	Co-Operative
Hampden Way Nursery	Co-Operative
Moss Hall Nursery	Co-Operative
St Margaret's Nursery	Co-Operative
Menorah Foundation	HSBC
Danegrove	Lloyds TSB
Dollis Junior	Lloyds TSB
Mathilda Marks Kennedy	Lloyds TSB
St Pauls CE NW7	Lloyds TSB
Hendon	Nat West
Queen Elizabeth's Girls'	Nat West
St Mary's C E High	Nat West

Internal Investments at:		31/03/2011										
London Borough Of Barnet	Type of Investment	Principal	Start Date	Effective Maturity	Rate	Days to Maturity	Moody's Credit Rating (source Bloomberg)	Fitch Credit Rating (source Bloomberg)	S&P Credit Rating (source Bloomberg)	Lowest Credit Rating (equivalent rating, source Bloomberg)	Average Credit Risk Score	Country
BANK OF SCOTLAND CORPORAT	CALL ACCOUNT	£6,500,000	09/09/2009	01/04/2011	0.75%	1	Aa3	AA-	A+	A+	4.33	UK
BARCLAYS COMMERCIAL BANK	CALL ACCOUNT	£12,350,000	11/02/2010	01/04/2011	0.45%	1	Aa3	AA-	AA-	AA-	4.00	UK
ROYAL BANK OF SCOTLAND	FIXED DEPOSIT	£4,000,000	08/12/2010	07/12/2011	1.43%	251	Aa3	AA-	A+	A+	4.33	UK
SANTANDER CORP BANKING	CALL ACCOUNT	£20,000,000	08/12/2010	01/04/2011	0.80%	1	Aa3	AA-	AA	AA-	3.67	UK
ROYAL BANK OF SCOTLAND	FIXED DEPOSIT	£10,000,000	15/12/2010	15/09/2011	1.22%	168	Aa3	AA-	A+	A+	4.33	UK
THURROCK BOROUGH COUNCIL	FIXED DEPOSIT	£5,000,000	04/01/2011	04/04/2011	0.65%	4	Aaa	AAA	AAA	AAA	1.00	UK
NATIONWIDE BUILD. SOC.	FIXED DEPOSIT	£10,000,000	05/01/2011	05/04/2011	0.65%	5	Aa3	AA-	A+	A+	4.33	UK
BANK OF SCOTLAND	FIXED DEPOSIT	£4,000,000	11/01/2011	10/01/2012	2.00%	285	Aa3	AA-	A+	A+	4.33	UK
BANK OF SCOTLAND	FIXED DEPOSIT	£5,000,000	11/01/2011	11/10/2011	1.60%	194	Aa3	AA-	A+	A+	4.33	UK
NATIONWIDE BUILD. SOC.	FIXED DEPOSIT	£10,000,000	17/01/2011	31/10/2011	1.24%	214	Aa3	AA-	A+	A+	4.33	UK
BANK OF SCOTLAND	FIXED DEPOSIT	£4,500,000	17/02/2011	17/02/2012	2.10%	323	Aa3	AA-	A+	A+	4.33	UK
WEST YORKSHIRE F & R AUTH	FIXED DEPOSIT	£1,000,000	01/03/2011	01/06/2011	0.70%	62	Aaa	AAA	AAA	AAA	1.00	UK
BIRMINGHAM CITY COUNCIL	FIXED DEPOSIT	£3,500,000	04/03/2011	11/04/2011	0.52%	11	Aaa	AAA	AAA	AAA	1.00	UK
SOUTHAMPTON CITY COUNCIL	FIXED DEPOSIT	£4,100,000	15/03/2011	15/04/2011	0.60%	15	Aaa	AAA	AAA	AAA	1.00	UK
LANCASHIRE COUNTY COUNCIL	FIXED DEPOSIT	£8,000,000	15/03/2011	06/04/2011	0.60%	6	Aaa	AAA	AAA	AAA	1.00	UK
Total - Internal Investments		£ 107,950,000			0.94%	19/06/2011				AA-	3.50	Value Weighted Average
Number of Investments		15				81				AA-	4.12	Time Weighted Average
Average Investment Size		£ 7,196,667										

4	4	5
4	4	4
4	4	5
4	4	3
4	4	5
1	1	1
4	4	5
4	4	5
4	4	5
4	4	5
1	1	1
1	1	1
1	1	1
1	1	1

Authority	Type of Authority	External Fund Managers (Not included in credit score)	Internal Investments	Total Investments	Number of deposits	Average Date of Maturity	Average Number of Days to Maturity	Average Rate of Investments	Lowest Credit Rating (equivalent rating)		Average Credit Risk Score		Total Invested with DMO	% of Portfolio Invested with DMO	Total Invested with EIB	% of Portfolio Invested with EIB
									Value Weighted Average	Time Weighted Average	Value Weighted Average	Time Weighted Average				
London Borough Of Barnet	ENGLISH NON-MET DISTRICT	£ -	£ 107,950,000	£ 107,950,000	15	19/06/2011	81	0.94%	AA-	AA-	3.50	4.12	£ -	0%	£ -	0%

Credit risk scored 1 - 10 : 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D
 Non-rated, non-guaranteed institutions score 11

PLEASE NOTE

Heritable & Landsbanki do not have credit ratings as they have been withdrawn. We have kept the scoring as C for consistency with the Icelandic

Where an Icelandic bank has repaid investments, can you please total the investments and repayments and place in the main body of the investments - Please see below.

Any o/n call accounts/MMFs are given tomorrow's date (use 'today's date' +1) as the Effective Maturity dates.

AGENDA ITEM 7 Pages 69 - 76

Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	New Support and Customer Services Organisation Business Case
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 Organisation¹.
- 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

¹ 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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1. Executive Summary

This business case is in response to the customer services organisation and new support organisation options appraisal¹ 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.

¹ 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 appraisal² 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.

² 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 Programme³ 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

³ 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

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 Review⁴ 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 £53M⁵ 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

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.

⁴ Spending Review report by HM Treasury, October 2010

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

4 Strategic fit

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.”⁶

Barnet Council faces a funding gap of £53M⁷ 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

⁶ One Barnet Framework report to Cabinet 29 November 2010, pg 6

⁷ 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

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
Total	622	43,961	13,647

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

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
Total	43,961	(553)	(2,228)	(3,257)	37,923

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.

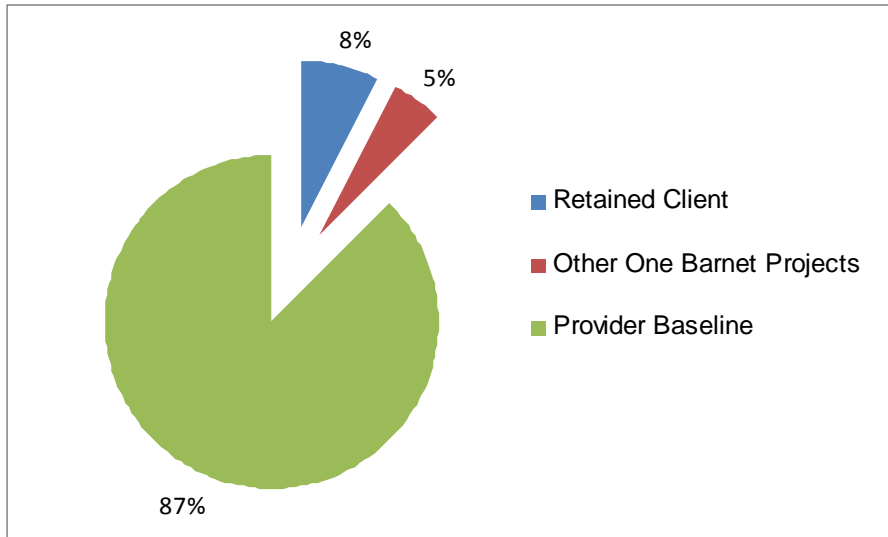


Figure 1 Elements of base service cost as a whole

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 & 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 scenario⁸.</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"> • reduction of customer contact (reducing avoidable/repeat contact) • transfer of customer contact to more efficient channels • efficiency savings will be generated as customer contact functions are consolidated • back office efficiencies as a result of Customer Services improvements • Contact centre operational improvements. <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 areas⁹ (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%

⁸ 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

⁹ 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"> • 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 <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.

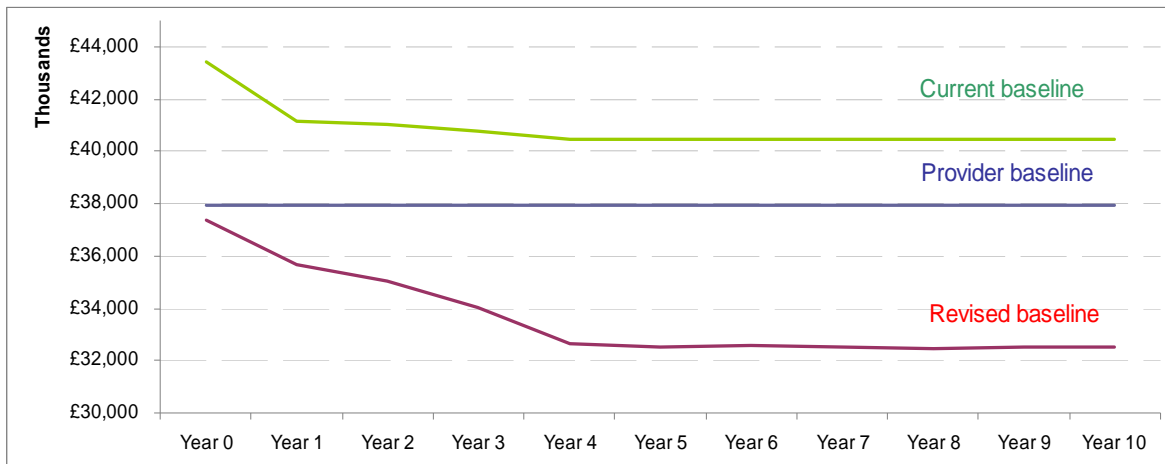


Figure 3 Potential reduction to cost baseline (Prudent case)

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.

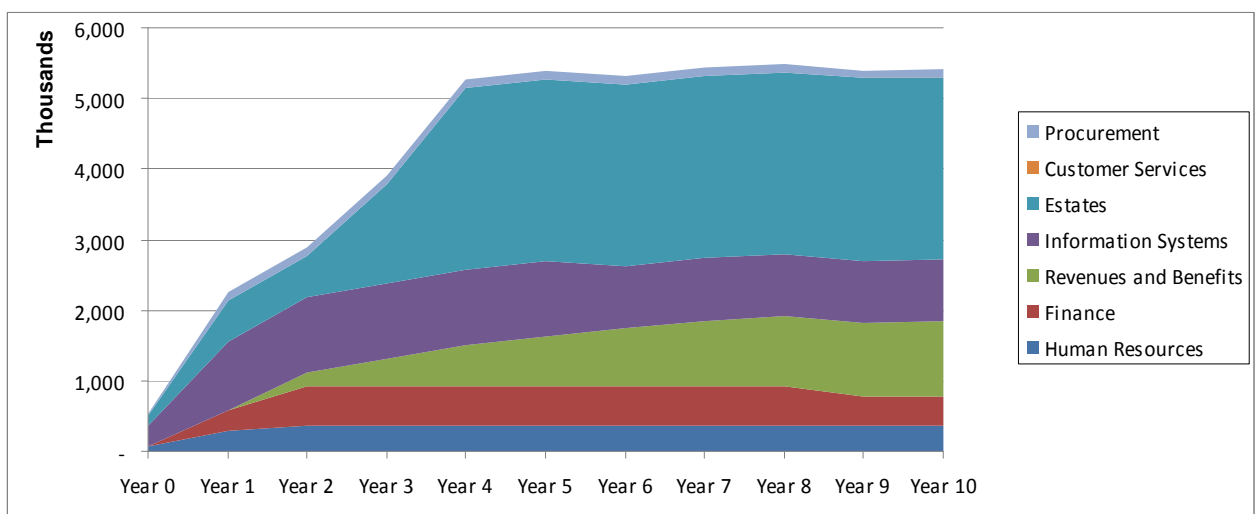


Figure 4 Savings contributions by service

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 £160M¹⁰ has been assumed.

Service	Improvement rationale	Prudent improvement	Optimistic improvement
Procurement ¹¹	<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%

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

¹¹ 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	-
Total income	5,723

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:

<p><i>Finance Service (applicable income) £1,057,375 x</i></p> <p><i>80% (provider element of gross budget) x</i></p> <p><i>5% (% change in provider gross budget in delivering benefits) =</i></p> <p><i>Amount by which the income will be reduced</i></p>
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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.

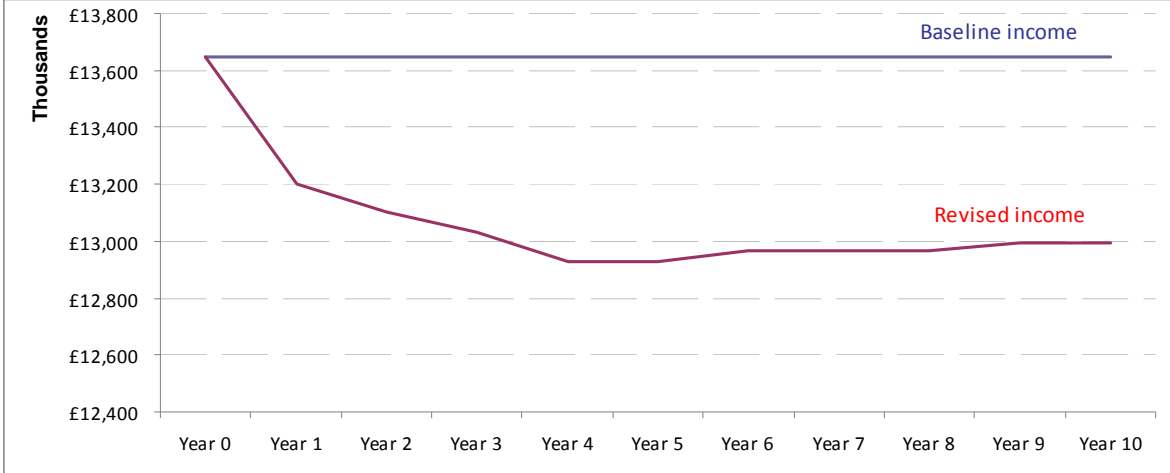


Figure 7 Income reduction

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 Specifications¹² 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

¹² 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 ¹³ 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.

¹³ 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 legislation¹⁴ 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.

¹⁴ 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

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.

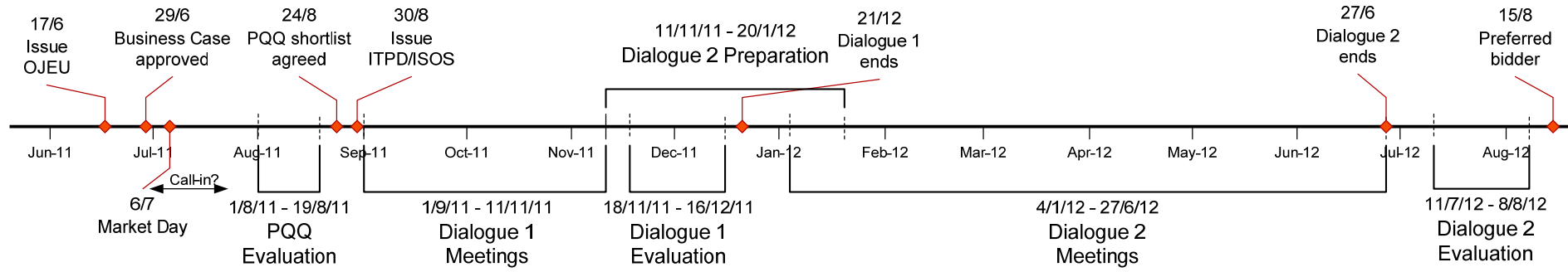
For indicative timescales associated with the New Support and Customer Services procurement activity, please see the section below.

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:

Role	Resource
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.

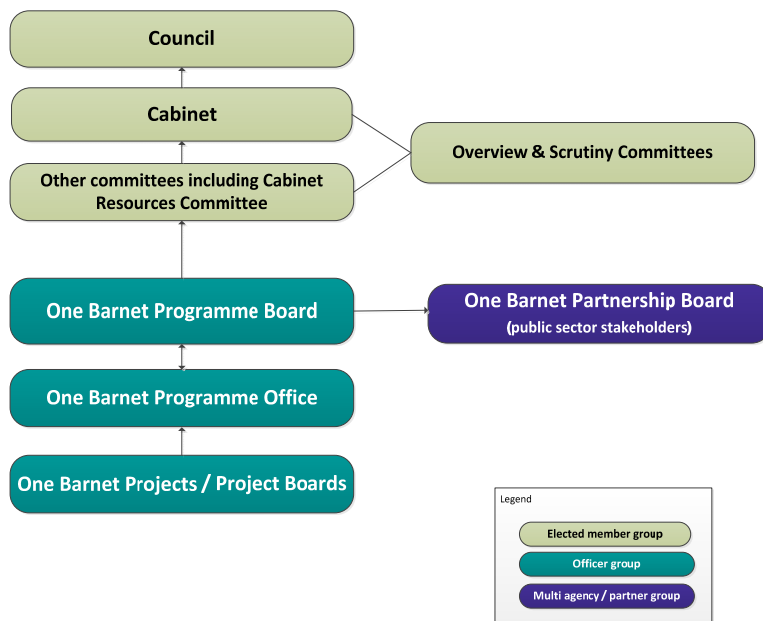


Figure 8 Governance structure

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

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

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 ¹⁵	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:

¹⁵ 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 ¹⁶	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.

¹⁶ 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 ¹⁷	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.

¹⁷ 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 ¹⁸	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

¹⁸ 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 ¹⁹	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

¹⁹ 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:

Service Area	Information Systems
2011-12 Employees ²⁰	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

²⁰ 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 (5th 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 12th 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 ²¹	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

²¹ 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

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
Total base	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	2,434	26,778
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
Total revised	2,434	2,411	2,246	2,223	2,052	2,031	2,010	1,856	1,856	1,856	1,856	22,829
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
Total savings	-	23	189	212	382	404	425	579	579	579	579	3,949
Annual reduction	-	-	5.5	-	4.9	-	-	4.4	-	-	-	14.8
Total FTE	54.8	54.8	49.3	49.3	44.3	44.3	44.3	39.9	39.9	39.9	39.9	

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)
Staff cost	1,754
FTE	58
Avg. Loaded cost	£ 30,214.84

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

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
Total	370	1,296	1,296	2,962

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	<u>6,296</u>
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
Total base	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	69,416
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
Total revised	6,311	6,311	6,110	5,916	5,734	5,609	5,488	5,374	5,311	5,254	5,246	62,663
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
Total savings	-	-	200	394	577	701	823	937	999	1,057	1,065	6,753
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
Total base	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	69,416
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
Total revised	6,311	6,311	6,036	5,789	5,558	5,386	5,220	5,064	4,912	4,809	4,713	60,108
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
Total savings	-	-	275	521	753	924	1,090	1,247	1,399	1,501	1,597	9,308
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	39,425
Less OB projects	(167)	0	0	0	0	0	0	0	0	0	0	(167)
Less Internal Savings		0	(149)	(320)	0	0	0	0	0	0	0	(470)
Sub-Total	3,881	3,881	3,732	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	38,788
Less retained client	(1,086)	(1,086)	(937)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	(8,041)
Provider baseline	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	30,747
Indicative cost reduction	(75)	(301)	(356)	(356)	(356)	(356)	(356)	(356)	(356)	(356)	(356)	(3,584)
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	27,164
% Change (cost reduction)	3%	11%	13%	13%	13%	13%	13%	13%	13%	13%	13%	12%
Income	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	26,083
Change to Income		(153)	(182)	(189)	(207)	(207)	(207)	(207)	(207)	(207)	(207)	(1,970)
Revised Income	2,371	2,218	2,190	2,182	2,165	2,165	2,165	2,165	2,165	2,165	2,165	24,113
% Change (customer value)	0%	6%	8%	8%	9%	9%	9%	9%	9%	9%	9%	8%
Total financial benefit	75	147	175	168	150	150	150	150	150	150	150	1,613

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	39,425
Less OB projects	(167)	0	0	0	0	0	0	0	0	0	0	(167)
Less Internal Savings		0	(149)	(320)	0	0	0	0	0	0	0	(470)
Sub-Total	3,881	3,881	3,732	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	38,788
Less retained client	(1,086)	(1,086)	(937)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	(617)	(8,041)
Provider baseline	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	30,747
Indicative cost reduction	(94)	(331)	(392)	(392)	(392)	(392)	(392)	(392)	(392)	(392)	(392)	(3,953)
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	26,794
% Change (cost reduction)	3%	12%	14%	14%	14%	14%	14%	14%	14%	14%	14%	13%
Income	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	2,371	26,083
Change to Income		(168)	(200)	(208)	(227)	(227)	(227)	(227)	(227)	(227)	(227)	(2,167)
Revised Income	2,371	2,203	2,171	2,163	2,144	2,144	2,144	2,144	2,144	2,144	2,144	23,916
% Change (customer value)	0%	7%	8%	9%	10%	10%	10%	10%	10%	10%	10%	8%
Total financial benefit	94	162	192	184	165	165	165	165	165	165	165	1,786

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	63,869
Less OB projects	(116)	0	0	0	0	0	0	0	0	0	0	(116)
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0
Sub-Total	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	63,753
Less retained client	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(9,022)
Provider baseline	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	54,731
Indicative cost reduction	0	(288)	(563)	(563)	(563)	(563)	(563)	(563)	(563)	(414)	(414)	(5,054)
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	49,677
% Change (cost reduction)	0%	6%	11%	11%	11%	11%	11%	11%	11%	8%	8%	9%
Income	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	12,332
Change to Income		(54)	(105)	(105)	(105)	(105)	(105)	(105)	(105)	(77)	(77)	(945)
Revised Income	1,121	1,067	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,044	1,044	11,386
% Change (customer value)	0%	5%	9%	9%	9%	9%	9%	9%	9%	7%	7%	8%
Total financial benefit	0	234	458	458	458	458	458	458	458	336	336	4,109

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	63,869
Less OB projects	(116)	0	0	0	0	0	0	0	0	0	0	(116)
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0
Sub-Total	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	5,796	63,753
Less retained client	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(820)	(9,022)
Provider baseline	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	4,976	54,731
Indicative cost reduction	0	(575)	(1,076)	(1,076)	(1,076)	(1,076)	(1,076)	(1,076)	(1,076)	(827)	(827)	(9,759)
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	44,972
% Change (cost reduction)	0%	12%	22%	22%	22%	22%	22%	22%	22%	17%	17%	18%
Income	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	12,332
Change to Income		(108)	(201)	(201)	(201)	(201)	(201)	(201)	(201)	(155)	(155)	(1,825)
Revised Income	1,121	1,014	920	920	920	920	920	920	920	966	966	10,506
% Change (customer value)	0%	10%	18%	18%	18%	18%	18%	18%	18%	14%	14%	15%
Total financial benefit	0	467	875	875	875	875	875	875	875	672	672	7,934

Customer Services – Prudent overview

New Support & Customer Services Organisation - Prudent 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)
	£001	£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	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	94,560
Less OB projects	(749)	0	0	0	0	0	0	0	0	0	0	(749)
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0
Sub-Total	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	93,811
Less retained client	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(4,833)
Provider baseline	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	88,978
Indicative cost reduction	(278)	(972)	(1,074)	(1,072)	(1,072)	(1,072)	(872)	(878)	(878)	(878)	(878)	(9,922)
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	79,056
% Change (cost reduction)	3%	12%	13%	13%	13%	13%	11%	11%	11%	11%	11%	11%
Income	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	25,458
Change to Income		(192)	(212)	(212)	(212)	(212)	(172)	(174)	(174)	(174)	(174)	(1,908)
Revised Income	2,314	2,122	2,102	2,102	2,102	2,102	2,142	2,141	2,141	2,141	2,141	23,549
% Change (customer value)	0%	8%	9%	9%	9%	9%	7%	8%	8%	8%	8%	7%
Total financial benefit	278	780	861	860	860	860	699	704	704	704	704	8,014

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	94,560
Less OB projects	(749)	0	0	0	0	0	0	0	0	0	0	(749)
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0
Sub-Total	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	8,528	93,811
Less retained client	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(439)	(4,833)
Provider baseline	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	8,089	88,978
Indicative cost reduction	(370)	(1,296)	(1,432)	(1,429)	(1,429)	(1,429)	(1,029)	(1,037)	(1,037)	(1,037)	(1,037)	(12,563)
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	76,416
% Change (cost reduction)	5%	16%	18%	18%	18%	18%	13%	13%	13%	13%	13%	14%
Income	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	25,458
Change to Income		(256)	(283)	(283)	(283)	(283)	(204)	(205)	(205)	(205)	(205)	(2,412)
Revised Income	2,314	2,058	2,031	2,032	2,032	2,032	2,111	2,109	2,109	2,109	2,109	23,045
% Change (customer value)	0%	11%	12%	12%	12%	12%	9%	9%	9%	9%	9%	9%
Total financial benefit	370	1,040	1,149	1,146	1,146	1,146	826	832	832	832	832	10,151

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	73,810
Less OB projects	0	0	0	0	0	0	0	0	0	0	0	0
Less Internal Savings		(132)	(88)	0	0	0	0	0	0	0	0	(220)
Sub-Total	6,882	6,750	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	73,591
Less retained client	(571)	(439)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(4,175)
Provider baseline	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	69,416
Indicative cost reduction	0	0	(200)	(394)	(577)	(701)	(823)	(937)	(999)	(1,057)	(1,065)	(6,753)
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	62,663
% Change (cost reduction)	0%	0%	3%	6%	9%	11%	13%	15%	16%	17%	17%	10%
Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	18,664
Change to Income		0	0	0	0	0	0	0	0	0	0	0
Revised Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	18,664
% Change (customer value)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total financial benefit	0	0	200	394	577	701	823	937	999	1,057	1,065	6,753

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	73,810
Less OB projects	0	0	0	0	0	0	0	0	0	0	0	0
Less Internal Savings		(132)	(88)	0	0	0	0	0	0	0	0	(220)
Sub-Total	6,882	6,750	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	6,662	73,591
Less retained client	(571)	(439)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(4,175)
Provider baseline	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311	69,416
Indicative cost reduction	0	0	(275)	(521)	(753)	(924)	(1,090)	(1,247)	(1,399)	(1,501)	(1,597)	(9,308)
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	60,108
% Change (cost reduction)	0%	0%	4%	8%	12%	15%	17%	20%	22%	24%	25%	13%
Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	18,664
Change to Income		0	0	0	0	0	0	0	0	0	0	0
Revised Income	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	18,664
% Change (customer value)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total financial benefit	0	0	275	521	753	924	1,090	1,247	1,399	1,501	1,597	9,308

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	131,279
Less OB projects	(1,189)	0	0	0	0	0	0	0	0	0	0	0	(1,189)
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0	0
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	130,089
Less retained client	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(1,878)
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	128,212
Indicative cost reduction	(146)	(583)	(583)	(1,416)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	(2,583)	(20,807)
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	107,405
% Change (cost reduction)	1%	5%	5%	12%	22%	22%	22%	22%	22%	22%	22%	22%	16%
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	65,352
Change to Income		(44)	(44)	(106)	(193)	(193)	(193)	(193)	(193)	(193)	(193)	(193)	(1,547)
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	63,804
% Change (customer value)	0%	1%	1%	2%	3%	3%	3%	3%	3%	3%	3%	3%	2%
Total financial benefit	146	539	539	1,310	2,389	2,389	2,389	2,389	2,389	2,389	2,389	2,389	19,259

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	131,279
Less OB projects	(1,189)	0	0	0	0	0	0	0	0	0	0	(1,189)
Less Internal Savings		0	0	0	0	0	0	0	0	0	0	0
Sub-Total	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	11,826	130,089
Less retained client	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(171)	(1,878)
Provider baseline	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656	128,212
Indicative cost reduction	(291)	(1,166)	(1,166)	(2,207)	(3,666)	(3,666)	(3,666)	(3,666)	(3,666)	(3,666)	(3,666)	(30,489)
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	97,723
% Change (cost reduction)	3%	10%	10%	19%	31%	31%	31%	31%	31%	31%	31%	24%
Income	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	65,352
Change to Income		(87)	(87)	(165)	(275)	(275)	(275)	(275)	(275)	(275)	(275)	(2,262)
Revised Income	5,941	5,854	5,854	5,776	5,667	5,667	5,667	5,667	5,667	5,667	5,667	63,090
% Change (customer value)	0%	1%	1%	3%	5%	5%	5%	5%	5%	5%	5%	3%
Total financial benefit	291	1,078	1,078	2,042	3,391	3,391	3,391	3,391	3,391	3,391	3,391	28,227

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	18,840
Less OB projects	(7)	0	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	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	1,712	18,833
Less retained client	(50)	(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	1,663	18,288
Indicative cost reduction	(28)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(1,160)
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	17,128
% Change (cost reduction)	2%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	6%
Income	32	32	32	32	32	32	32	32	32	32	32	32	354
Change to Income		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(7)
Revised Income	32	31	31	31	31	31	31	31	31	31	31	31	347
% Change (customer value)	0%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Total financial benefit	28	112	112	112	112	112	112	112	112	112	112	112	1,152

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

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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
Number of employees		538	N/A						
Gender	Female	321	N/A						
	Male	217	N/A						
Date of Birth (age)	1992-1986	19	N/A						
	1965-1976	123	N/A						
	1975-1966	163	N/A						
	1965-1951	210	N/A						
	1950-1941	22	N/A						
	1940 and earlier	X	N/A						
Ethnic Group	White		N/A						
	British	284							
	Irish	X							
	Other White	28							
Mixed	White and Black Caribbean		N/A						
	White and Black African								
	White and Asian	X							
	Other Mixed	10							
Asian and Asian British		N/A							

	Indian	57							
	Pakistani	X							
	Bangladeshi	X							
	Other Asian	13							
	Black or Black British		N/A						
	Caribbean	37							
	African	21							
	Other Black	X							
	Chinese or Other Ethnic Group		N/A						
	Chinese	X							
	Other Ethnic Group	10							
Disability									
	Physical co-ordination (such as manual dexterity, muscular control, cerebral palsy)		N/A						
	Hearing (such as: deaf, partially deaf or hard of hearing)	X	N/A						
	Vision (such as blind or fractional/partial sight. Does not include people whose visual problems can be corrected by glasses/contact lenses)		N/A						
	Speech (such as impairments that can cause communication problems)		N/A						
	Reduced physical capacity (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						
	Severe disfigurement		N/A						
	Learning difficulties (such as dyslexia)	X	N/A						
	Mental illness (substantial and lasting more than a year)	X	N/A						
	Mobility (such as wheelchair user, artificial lower limb(s), walking aids, rheumatism or arthritis)		N/A						
Gender Identity									
	Transsexual/Transgender (people whose gender identity is different from the gender they were assigned at birth)		N/A						
Pregnancy and Maternity									
	Pregnant		N/A						
	Maternity Leave (current)		N/A						
	Maternity Leave (in last 12 months)		N/A						
Religion or Belief									
	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						
Sexual Orientation	Heterosexual	390	N/A						
	Bisexual		N/A						
	Lesbian		N/A						
	Gay	X	N/A						
Marriage and civil partnership	Married	195	N/A						
	Single	121	N/A						
	Widowed	X	N/A						
	Divorced	25	N/A						
	In Civil partnership	X	N/A						
Relevant and related grievances	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 31st 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.

AGENDA ITEM: 8 Pages 77 – 80

Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	Novation of a Contract for Highways (Highways Planned Maintenance & Improvements Contract 2007-12)
Report of	Cabinet Member for Environment
Summary	The report seeks approval for the Novation of the Highways Planned Maintenance and Improvements Contract 2007-12 from “Ringway Infrastructure Services” to “Eurovia Infrastructure Limited”.

Officer Contributors	C Chrysostomou/S Vaiti
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Chris Chrysostomou, Chief Engineer (Infrastructure), Environment and Operations: 020 8359 7200

1. RECOMMENDATIONS

- 1.1 That the novation of the “Highways Planned Maintenance and Improvements Contract 2007-12” from “Ringway Infrastructure Services Limited” to “Eurovia Infrastructure Limited” be approved.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee, 19 February 2007, Decision 8 – the Committee agreed to award the “Planned Maintenance & Improvements Contract 2007-12”, contract 50069, to Ringway Infrastructure Services Ltd, following a competitive tendering process.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The novation of the Planned Maintenance & Improvements Contract 2007-12 would allow the delivery of services that contribute to the following objectives of the Council's 2010-2013 Corporate Plan:

- A Successful London Suburb.
- Better Services with Less Money,
- Sharing Opportunities and Sharing Responsibilities.

In particular, this contract directly contributes to maintaining and improving of transport infrastructure, improving traffic flows, reducing journey times and improving quality of life and the local environment and creating conditions for a vibrant economy.

4. RISK MANAGEMENT ISSUES

- 4.1 The novation of this contract carries no additional risk to the Council as the terms and conditions of the contract will not change and the overarching Parent Company Guarantee will remain.
- 4.2 We have considered whether the issues involved in the novation of the contract are likely to raise significant levels of public concern or give rise to policy considerations and it has been concluded that this is unlikely to be the case.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Highways Planned Maintenance and Improvements Contracts has been procured using the Council's procurement process. As part of this procurement process, Eurovia demonstrated they will be able to support the council in meeting its public obligations to promote race equality and disability equality whilst undertaking work on the council's behalf.

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

- 6.1 There are no resource implications for the Council as the contractor, Eurovia Infrastructure Limited, will pay all the Council's legal cost in relation to the novation of contract.

7. LEGAL ISSUES

7.1 None except any mentioned or referred to in the body of the report.

8. CONSTITUTIONAL POWERS

8.1 Council Constitution, Part 3, Responsibility for Functions - paragraph 3.5 states that Cabinet Committees may discharge the executive functions that fall within their terms of reference, whether or not they are also delegated to officers, except for matters specifically reserved to Cabinet.

8.2 Council Constitution, Part 3, Responsibility for Functions - paragraph 3.6 states the terms of reference of the Cabinet Resources Committee.

8.3 Council Constitution, Contract Procedure Rules, Paragraph 5.6.3 - provides that in the case of a contract novation or assignment, the original contract value shall be used to determine the level of authorisation required in accordance with the thresholds for Works, Supplies and Services set out in Table 5-1 (Authorisation and Acceptance Thresholds for Works, Supplies and Services) of the Contract Procedure Rules. Table 5-1 requires authorisation from Cabinet Committee for contracts of £500,000 and over.

9. BACKGROUND INFORMATION

9.1 In April 2007 the Council commenced the “Highways Planned Maintenance and Improvements Contract 2007-12” (Contract No. 50069) with Ringway Infrastructure Services Limited. The contract was awarded following public advertisement, under the EU Procurement, and a competitive tender process. This contract is for a five year period ending 31st March 2012, but the Council has the option to extend the contract by a period of two years. Two contractors were appointed under this contract, “Ringway Infrastructure Services Ltd” and “VolkerHighways Crowley” formerly known as “John Crowley (Maidstone) Ltd”.

9.2 Eurovia Group Limited (formerly Ringway Group Limited) was the holding company for Ringway Infrastructure Services Ltd in April 2007 and continues to be the holding company. Ringway branded its various highways businesses under the title “Eurovia Infrastructure Limited” and this business is now responsible for delivering the Barnet Contracts. These changes have resulted in a request from Ringway Infrastructure Services Limited for a formal assignment of the contract. Eurovia Infrastructure Ltd is also wholly owned by Eurovia Group Limited.

9.3 Eurovia Group Limited will provide an unconditional parent company guarantee of the performance of the contract novated from Ringway Infrastructure Services Ltd to Eurovia Infrastructure Ltd, to replace the original parent company guarantee provided at contract award.

9.4 All aspects of the novated contract will remain identical to the current contract, save the identities of the contracting parties.

9.5 Novation is a two way legal agreement with the organisations involved being London Borough of Barnet and Eurovia Infrastructure Ltd.

9.6 The novation agreement would result in allowing “Eurovia Infrastructure Ltd” assuming the rights and obligations previously enjoyed and incurred by “Ringway Infrastructure Services Limited”. Ringway Infrastructure Services Limited would be released from its obligations to the Council under the contract. The Council would be able to enforce the contract against Eurovia Infrastructure Ltd.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal – PD

CFO – MC

AGENDA ITEM: 9 Pages 81 – 84

Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	Novation of two highways contracts (The Highways Planned Maintenance & Improvements Contract 2007-12 and The Highways Term Maintenance Contract 2007-12).
Report of	Cabinet Member for Environment
Summary	The report seeks approval for the Novation of two highways contracts from “VolkerHighways Crowley Limited”, formerly known as “John Crowley (Maidstone) Limited”, to “VolkerHighways Limited”.

Officer Contributors	C. Chrysostomou/S Vaiti
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Chris Chrysostomou, Chief Engineer (Infrastructure), Environment and Operations: 020 8359 7200

1. RECOMMENDATIONS

- 1.1 That the novation of the “Highways Planned Maintenance and Improvements Contract 2007-12” and “The Highways Term Maintenance contract 2007-12” from “VolkerHighways Crowley Limited”, formerly known as “John Crowley (Maidstone) Limited”, to “VolkerHighways Limited” be approved.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee, 19 February 2007, Decision Item 8 – the Committee agreed to award the “Planned Maintenance & Improvements Contract 2007-12”, contract 50069, and the “The Highways Term Maintenance contract 2007-12”, contract 50068, to VolkerHighways Crowley Limited”, formerly known as “John Crowley (Maidstone) Limited.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The novation of the Planned Maintenance & Improvements Contract 2007-12 and the Highways Term Maintenance contract 2007-12 would allow the delivery of services that contribute to the following objectives of the Council’s 2010-2013 Corporate Plan:
- A Successful London Suburb.
 - Better Services with Less Money,
 - Sharing Opportunities and Sharing Responsibilities.

In particular, this contract directly contributes in maintaining and improving of transport infrastructure, improving traffic flows, reducing journey times and improving quality of life and the local environment and creating conditions for a vibrant economy.

4. RISK MANAGEMENT ISSUES

- 4.1 The novation of the two contracts carries no additional risk to the Council as the terms and conditions of the contracts will not change and the overarching Parent Company Guarantee will remain.
- 4.2 We have considered whether the issues involved in the novation of the contracts are likely to raise significant levels of public concern or give rise to policy considerations and it has been concluded that this is unlikely to be the case.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Both the Highways Planned Maintenance & Improvements Contract and the Highways Term Maintenance contract have been procured using the Council’s procurement process. As part of this procurement process, VolkerHighways demonstrated they will be able to support the Council in meeting its public obligations to promote race equality and disability equality whilst undertaking work on the council’s behalf.

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

- 6.1 There are no resource implications for the Council with regards to the novation agreement as the contractor, VolkerHighways Limited, will pay all the Council’s legal cost in relation to the novation of the two contracts.

7. LEGAL ISSUES

7.1 None except any mentioned or referred to in the body of the Report.

8. CONSTITUTIONAL POWERS

8.1 Council Constitution, Part 3, Responsibility for Functions - paragraph 3.5 states that Cabinet Committees may discharge the executive functions that fall within their terms of reference, whether or not they are also delegated to officers, except for matters specifically reserved to Cabinet.

8.2 Council Constitution, Part 3, Responsibility for Functions - paragraph 3.6 states the terms of reference of the Cabinet Resources Committee.

8.3 Council Constitution, Contract Procedure Rules, Paragraph 5.6.3 - provides that in the case of a contract novation or assignment, the original contract value shall be used to determine the level of authorisation required in accordance with the thresholds for Works, Supplies and Services set out in Table 5-1 (Authorisation and Acceptance Thresholds for Works, Supplies and Services) of the Contract Procedure Rules. Table 5-1 requires authorisation from Cabinet Committee for contracts of £500,000 and over.

9. BACKGROUND INFORMATION

9.1 Following a competitive tendering process, under the EU procurement rules, John Crowley (maidstone) Ltd have been awarded two contracts, The Highways Planned Maintenance & Improvements Contract (contract No 50069) and The Highways Term Maintenance Contract (contract No 50068). The first contract had also been awarded to another contractor, Ringway Infrastructure Services Ltd. Both contracts were awarded following public advertisement, under the EU Procurement, and a competitive tender process. Both contracts commenced on 1st April 2007 for a period of 5 years, but with the Council having an option for a single two year extension.

9.2 Following the award of the contracts, John Crowley (Maidstone) Ltd was taken over by the VolkerWessels UK Group, a dutch owned group. Volker Wessels initially changed the name of "John Crowley (Maidstone) Ltd" to "VolkerHighways Crowley Limited" but subsequently restructured the various business of their group, which resulted in a new company, "VolkerHighways Ltd", being responsible for delivering the Barnet Contracts. These changes have resulted in a request from VolkerHighways Ltd, via a letter received on 8 September 2009, for a formal novation of the two contracts from "VolkerHighways Crowley Limited", formerly known as "John Crowley (Maidstone) Limited", to "VolkerHighways Limited".

9.3 All aspects of the novated contracts will remain identical to the original contracts, save the identities of the contracting parties.

9.4 Volker Wessels UK will provide an unconditional parent company guarantee of the performance of the contracts, to replace the original parent company guarantee provided at contract award.

9.5 Novation is a two way legal agreement with the organisations involved being London Borough of Barnet and VolkerHighways Ltd.

9.6 The novation agreement would result in allowing VolkerHighways Ltd to assume the rights and obligations previously enjoyed and incurred by VolkerHighways Crowley Ltd,

formerly John Crowley (Maidstone) Ltd. VolkerHighways Crowley Ltd, formerly John Crowley (Maidstone) Ltd, would be released from its obligations to the Council under the two contracts. The Council would be able to enforce the contracts against VolkerHighways Ltd.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal – PD
CFO – JH

AGENDA ITEM: 10

Page nos. 85 - 89

Meeting	Cabinet Resources Committee
Date	29 June 2011
Subject	Grahame Park Area Regeneration Project
Report of	Leader of the Council
Summary	This report seeks approval for the deferment of historic costs owed to the Council from the Council's developer partner for the regeneration of the Grahame Park Estate 'Choices for Grahame Park (CfGP) Limited' until 1 st July 2012 in response to revised funding criteria imposed by the scheme's principal funder. Deferring the payments would allow CfGP to fund these costs from receipts rather than borrowing the money from their funder and CfGP's parent company Genesis Housing Association.
Officer Contributors	Noreen Twomey, Assistant Project Manager (Regeneration Service)
Status (public or exempt)	Public (with a separate exempt report)
Wards affected	Colindale
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Noreen Twomey, Assistant Project Manager (Regeneration Service), 020 8359 7646.

1. RECOMMENDATIONS

- 1.1 That Committee approve the deferral of historic costs owed to the Council from the Council's developer partner for the regeneration of the Grahame Park Estate 'Choices for Grahame Park (CfGP) Limited' until 1st July 2012 in response to revised funding criteria set by the scheme's principal funder.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Planning and Environment Committee, 8 September 2004 (Decision item 8) – approved outline planning permission for the regeneration of Grahame Park, with the completed Section 106 Agreement securing substantial local community and infrastructure benefits signed on 23 January 2007.
- 2.2 Cabinet, 24 July 2006 (Decision item 5 and decision 11) – authorised the entering into a Principal Development Agreement (PDA) with Choices for Grahame Park (CfGP) Limited (or subject to the approval of the Deputy Chief Executive in consultation with the Cabinet Member for Regeneration and Development, an alternative company within the Genesis Housing Group) and Paddington Churches Housing Association for the regeneration and redevelopment of the Grahame Park area.
- 2.3 Council, 2 March 2010, on recommendation of Cabinet 22 February 2010 (item 9) – recommended to Council to adopt the Colindale Area Action Plan (AAP), which includes strategic planning support for the regeneration of the Grahame Park Estate and wider Colindale Area.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 2.1 The regeneration of Grahame Park Estate supports the Corporate Plan 2011-2013 priority of 'A successful London Suburb' and the strategic objective under this priority to *sustain Barnet as a successful place through plans for regeneration and strategic growth*.
- 2.2 The regeneration of Grahame Park Estate also supports the 'One Barnet - A Sustainable Community Strategy for Barnet 2010–2020' through the following objectives:
- A new relationship with citizens - the new development will offer more choice and promote independence by providing a number of different housing options such as shared ownership to residents and those in the wider community.
 - A one-public-sector approach - the Council is working together with other public sector partners to ensure the delivery of the scheme.
 - A relentless drive for efficiency - the Council is working with development partners to ensure that the scheme is delivered in the most cost effective way.

- 2.3 The redevelopment also complies with strategic objectives in the Council's Housing Strategy 2010-2025 which include:
- Increasing housing supply, including family sized homes, to improve the range of housing choices and opportunities available to residents; and
 - Promoting mixed communities and maximising opportunities available for those wishing to own their home.

4. RISK MANAGEMENT ISSUES

- 4.1 The Grahame Park regeneration scheme has reached a critical point. Whilst the economy remains fragile there are key risks associated with regeneration viability. By not enabling flexibility and approving deferral of historic costs owed to the Council, continued project delivery is at risk.
- 4.2 Deferring payment of the historic costs owed to the Council would allow CfGP to fund these costs from receipts rather than borrowing the money from their funder and CfGP's parent company Genesis Housing Association. Under the deferment proposal the Council will be repaid its costs on 1st July 2012 when all the new homes for sale currently under construction have been sold. The sales income is critical to the successful delivery of the project, one of the most critical factors in the viability of the project. Sales and marketing of the homes for sale is being delivered by Countryside Properties. Sales are currently progressing at a rate of five per month. In 2009 the Council and CfGP jointly appointed a Sales Valuer who will certify to the Council that sales revenue for each dwelling sold represents proper value in the market conditions prevailing at the time of sale. However, CfGP has confirmed to the Council that payment will be made on 1st July 2012 irrespective of sales performance on Phase 1a.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The scheme will replace 1,314 homes and deliver a mix of 2,977 affordable, intermediate and private sale flats and houses with new community facilities, including a library, health centre, children's centre and community centre. The Council will have 100% nomination rights to the new affordable housing units and re-housing offers will be made to all the existing secure tenants on the existing housing estate. The regeneration scheme will provide a new area of mixed tenure housing and will make this part of the Borough a better place to live, leading to improved community cohesion in an area with a highly diverse population.

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

Finance

- 6.1 The proposal to defer historic costs owed to the Council from CfGP in response to revised funding criteria imposed by the scheme's funders will require budget cover of approximately £1.21 million from the Council for items which have already been expended. This includes internal and external expenditure associated with the making of a Compulsory Purchase Order (CPO), internal and external costs associated with the Grahame Park PDA and Home Loss and Disturbance payments. A breakdown of this figure is detailed as Appendix 1 to the exempt report. Under the terms of the PDA and the CPO Indemnity Agreement the historic costs would have been paid to the Council in 2009. Under the deferment proposal the Council will be paid on 1st July 2012. .
- 6.2 The Council will receive interest on these historic costs as per the definitions in the PDA and the CPO Indemnity Agreement. Actual and projected interest is also detailed in Appendix 1 to the exempt report.
- 6.3 The Council has appointed financial consultants Turner and Townsend (T&T) who have rigorously analysed the Grahame Park Estate Regeneration Business Plan and current cash-flow. A copy of their report is included as Appendix 2 to the exempt report.

7. LEGAL ISSUES

- 7.1 All payments and interests referred to in this report must accord with the relevant provisions of the Principal Development Agreement and the CPO Indemnity Agreement for the Grahame Park Regeneration Scheme.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution – Part 3 Responsibility for Functions – Section 3.6 Functions delegated to the Cabinet Resources Committee – all matters relating Capital and revenue finance, forecasting, monitoring, borrowing and taxation.

9 BACKGROUND INFORMATION

- 9.1 In January 2001, the Council embarked upon a scheme for the regeneration of the Grahame Park Estate which aimed to transform it into a thriving, 3,440-home mixed tenure community, improved transport links and enhanced community facilities. Grahame Park renewal forms a key part of the Colindale regeneration area, supported by the Area Action Plan adopted March 2010.
- 9.2 The first major sub-phase, comprising 319 mixed tenure homes started on site on 27 July 2009. Attracting external funding to commence construction during this time of economic instability was a tremendous

achievement. The first homes were completed in February 2011. The Greentop Centre, a children's activity centre, was completed in December 2008 and the final major phase of Stage A, comprising 446 mixed tenure homes is due to start on site before the end of the financial year.

- 9.3 The scheme is being developed by CfGP, a subsidiary of Genesis Housing Association. Countryside Properties is the contractor on the project and is also responsible for selling the homes for sale. CfGP will roll the surplus from each phase, if any, forward to cross-fund subsequent development, only realising their profits at the end of the regeneration programme.
- 9.4 The scheme is primarily funded from an external source. In response to the re-evaluation of risks in the financial sector in 2009, the principal funder made fundamental changes to the terms of the draft agreement with CfGP, the details of which are outlined in the exempt report. Introducing some flexibility in the timing of the payment of the Council's historic costs enabled the scheme to be funded at a time when very few developments were awarded finance. The Council was in principle supportive of this deferment request to bring forward the regeneration of Grahame Park.
- 9.5 Deferring payment of historic costs owed to the Council from CfGP until 1st July 2012 assists the cash-flow and peak debt for the CfGP Grahame Park Estate Regeneration Business Plan and ensures continued project delivery.
- 9.6 By agreeing to this deferment, the Council can help assure the continuing delivery of one of the borough's premier regeneration schemes, which is helping to transform Grahame Park and the whole Colindale Action Area.

10. LIST OF BACKGROUND PAPERS

- 10.1 None

Legal: TE
CFO: MC

