

	<p><b>Performance and Contract Management Committee</b></p> <p><b>15 November 2016</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Year Three Review of Customer and Support Group (CSG) Contract</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Interim Chief Operating Officer</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public (except Appendices F and G, which are not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972)</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>Yes</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A: Summary of service improvements                  Appendix B: Public submissions                  Appendix C: Project spend slide pack (excluding exempt information)                  Appendix D: Benchmarking slide pack                  Appendix E: Detail of savings proposals (excluding exempt information)                  Appendix F: Project spend slide pack (including exempt information)                  Appendix G: Detail of savings proposals (including exempt information)</p>
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## Summary

At its meeting on 7<sup>th</sup> January 2016, the Performance and Contract Management Committee considered a report outlining the proposed arrangements and recommendations for conducting a year three review of the CSG contract, in accordance with clause 10.3 of that contract. The review is designed to give both parties to the contract (Capita Business Services Ltd and the council) an opportunity to review overall performance; consider what

is going well; and identify areas for improvement.

The Committee agreed at that meeting that the Review should be undertaken and established a Member-led working group of the Committee for the purpose of overseeing the conduct of the Review.

Reports on the progress of the Review were considered by the Committee at its meetings on 31<sup>st</sup> May 2016 and 6<sup>th</sup> September 2016. The latter report included consideration of the draft desired outcomes that had been agreed by the Working Group.

The purpose of this report is to set out the detailed findings from the Review and the recommendations of the Working Group. In broad terms, the report concludes that the contract is meeting its original objectives, with significant savings having been achieved and substantial improvements in, most notably, customer satisfaction and revenue collection. Day to day service performance is generally acceptable, when judged against the Key Performance Indicators (KPIs). However, the report also recognises that there have been performance issues within certain services, some of which have been significant. The report makes recommendations to address these issues and to further develop the services to meet the council's needs, through the achievement of the outcomes that were considered by the Committee in September.

The Review has also driven the identification of further savings to the council, potentially in the order of up to £2.9m per annum. Of this, approximately £1.5m has a high degree of certainty of deliverability, whereas the remainder requires further investigation. Details of the potential savings are set out in paragraphs 1.65 to 1.88 of the report.

Although this report signals the formal end of the Review, there is still work to do to finalise negotiations around changes to certain KPIs and working arrangements to reflect where improvements are required, as well as the agreement of an implementation plan to ensure the issues set out in this report are resolved. It is therefore recommended that the Working Group continue to oversee this process through to conclusion by the end of the financial year.

## **Recommendations**

- 1. That the Committee notes the content of the report, along with the proposed service improvements and savings, as set out in the body of the report and summarised in Appendix A to this report.**
- 2. That the Committee notes that the Chief Operating Officer is authorised under the existing Scheme of Delegation to conclude negotiations and finalise the necessary contractual arrangements to effect these changes.**
- 3. That the Committee endorses the following proposals, which will be taken forward through existing officer delegations:**
  - a. The establishment of two dedicated ICT project support teams, as set out in paragraph 1.70 of the report; and**

**b. The revised payment arrangements for the CSG contract in 2017, as set out in paragraph 1.74 of the report.**

**4. That the Committee agrees that progress on the following items be considered by the Member-led CSG Working Group and the outcomes reported to the Performance and Contract Management Committee before the end of the financial year:**

- a. Revisions to the suite of Key Performance Indicators and updated list of contractual commitments, as referenced in paragraph 1.52 of the report;**
- b. The Partnership Development Strategy, as referenced in paragraph 1.55 of the report;**
- c. The Partnership Communication Strategy, as referenced in paragraph 1.63 of the report; and**
- d. Any proposals to extend the remit of the Procurement service, as set out in paragraph 1.71 of the report.**

**5. That the Committee notes that an implementation plan is being formulated that sets out the key milestones for the delivery of the service improvements identified in the body of the report and that progress will be reported to the Committee.**

**6. That the Committee agrees that the Member-led CSG Working Group should continue to meet, as required, to provide oversight for the completion of the Review.**

## **1. WHY THIS REPORT IS NEEDED**

### **Background and purpose of the review**

- 1.1 The CSG contract commenced on the 1<sup>st</sup> September 2013 and allows for a review at the end of year three. The contract states that the review should take place within 40 business days of 1<sup>st</sup> September 2016.
- 1.2 The Review has been designed to give both the council and Capita Business Services Ltd an opportunity to: consider what is working well; identify areas for improvement; and to consider the changing needs and priorities of the council. It is also an opportunity to consider the opportunity for further savings and efficiencies within the contract, given the need for the council to continue to make revenue savings in the years ahead.
- 1.3 At its meeting on 7<sup>th</sup> January 2016, the Performance and Contract Management Committee considered a report outlining the proposed arrangements for conducting this Review. The Committee agreed that the Review be undertaken and established a Member-led Working Group of the Committee for the purpose of overseeing the Review and reporting its recommendations to the Committee on conclusion.

- 1.4 At its meeting on 31<sup>st</sup> May 2016, the Performance and Contract Management Committee considered a report on the progress of the Review and endorsed the project brief that had been agreed by the Working Group and was appended to that report.
- 1.5 The project brief confirmed the overall aim of the Review as being to ensure that the CSG contract remains fit for purpose in the period to 2020 (by which point the year six contract review will have been carried out), recognising that the strategic context within which the contract operates has changed significantly since it was signed in 2013.
- 1.6 The main objective of the Review is to secure a formal agreement with Capita Business Services Ltd on any changes that the council requires to the Customer and Support Group contract to deliver:
1. Maximum benefit from the opportunities that exist for the in-scope services;
  2. Improvements in the performance of the in-scope services;
  3. Budget savings;
  4. The priorities set out in the Council's Corporate Plan; and
  5. Ongoing flexibility and responsiveness to address changing and emerging needs in the future.
- 1.7 In addition, the Review has sought to identify:
1. The benefits and achievements that have been realised through the contract; and
  2. Any changes that the council should make to improve its client-side management of the contract and ensure that its activities add value to the contractual arrangements.
- 1.8 Members of the Working Group are:
- Councillor Geoffrey Cooke  
Councillor Anthony Finn (Chairman)  
Councillor Sury Khatri  
Councillor Kathy Levine  
Councillor Peter Zinkin
- 1.9 The role of the Member Working Group has been to:
- provide strategic direction to the Review
  - agree the overall aims, objectives and desired outcomes of the Review
  - consider and challenge the evidence
  - agree the recommendations to Committee
- 1.10 The purpose of this report is to set out the detailed findings and recommendations from the Review. The report also identifies the additional work that will be required to fulfil the objective of securing a formal agreement with Capita Business Services Ltd in order to execute those recommendations.

## Overview of the contract

- 1.11 The CSG contract commenced in September 2013. It is a 10 year contract, with a value of approximately £322m, including managed budgets and partnership governance costs.
- 1.12 The core services that are delivered under the contract are:
- Finance
  - ICT
  - HR, including Pensions and Safety, Health and Welfare
  - Customer Services
  - Revenues and Benefits
  - Procurement
  - Estates
  - Corporate Programmes
- 1.13 Services are provided at a fixed price, based on delivering the requirements of the council's output specifications. There are some elements of pricing that vary according to changes in the volume of transactions, for example payroll, but these are relatively marginal. Any changes to the council's requirements are governed by a change request process.
- 1.14 In addition to the reductions that the contract has delivered in the cost of delivering these core services, the contract also provides a number of guarantees in respect of further savings and income generation. The most notable of these is on procurement, which provides a net savings guarantee of £47m over the life of the contract. In order to encourage over-performance against these guarantees, the contract provides for a risk/reward mechanism, called gainshare, whereby both the council and Capita benefit from CSG exceeding the guarantees, but the risk of not achieving the guarantee remains with Capita.
- 1.15 The contract provides for ongoing performance review and improvement, but also for more formal reviews at the end of years three and six. There is also the facility to extend the contract, by up to five years, which can be exercised by the council at any point.
- 1.16 Service delivery expectations are defined in the following documents, which form part of the schedules to the contract:
- **Output specifications**, which set out a description of what the council asked for when it went out to tender:
  - **Method statements**, which set out how Capita said they would deliver these requirements;
  - **Contract commitments**, which is a list of specific actions that Capita committed to delivering, as part of their bid.

- 1.17 The contract was entered into as a long term partnership, with a focus on identifying and rectifying problems as quickly as possible, without adversarial processes. However, where performance does not meet the agreed expected outcomes, the contract describes the actions that can be applied by the council. The main remedy available to the council is the ability to apply service credits (deductions) against a suite of Key Performance Indicators (KPIs). These define the required performance levels for each service area. The level of service credit that can be applied is determined by the weighting agreed for each KPI and the degree of failure. The maximum value of service credits that can be applied is defined within the contract and is a fundamental element of the commercial basis of the contract.
- 1.18 The application of service credits for failure to meet KPI targets is the only financial remedy for poor performance contained within the contract. The other main remedy for poor performance that is available to the council is to serve a remedy notice, which requires CSG to provide and implement an improvement plan within an agreed timescale. Failure to comply with a remedy notice could result in the council “stepping in” to directly manage service delivery. Ultimately, the council has the power to terminate the contract for breach, but it should be recognised that this would always be the remedy of last resort and would only apply in the event of catastrophic, continuing failure to provide a significant element of the service. It should also be noted that this course of action would have significant legal and financial consequences for the council.
- 1.19 Day to day oversight of the performance of the contract is exercised through frequent engagement between the relevant CSG service leads and the council’s Senior Responsible Officers (SROs), who play a key role in steering the strategic direction of services and monitoring service quality. Within the council’s Commercial Team, a Partnership Relationship Manager has overall responsibility for monitoring the delivery of the contract. This includes administering any change requests that are put forward by services and managing the performance reporting regime.
- 1.20 Performance reports are considered by a joint Partnership Operations Board, which meets monthly. Issues are escalated as necessary to the joint Strategic Partnership Board, which also provides strategic oversight and direction to the partnership as a whole.
- 1.21 The Performance and Contract Management Committee exercises Member oversight of performance, receiving quarterly reports on all aspects of the contract’s performance. Services that are provided through the contract are subject to the council’s normal internal audit arrangements, which includes referral to the Audit Committee, where internal control arrangements do not meet the required standard.

### **Conduct of the review**

- 1.22 The council has adopted an evidence-based and collaborative approach to conducting the Review, recognising that both parties to the contract have a valuable contribution to make in developing the contract and the partnership environment within which it operates. It is also recognised that both parties can learn from the operation of the contract and the partnership to date. Capita have engaged proactively and effectively during the review process,

through a number of challenge sessions between senior officers and senior members of Capita's management team in Barnet, to discuss various elements of the Review and specific services.

- 1.23 The Review has focussed primarily on future requirements, whilst acknowledging the benefits of identifying and articulating both the successes and frustrations experienced by both parties during the first three years of the contract, with a view to maximising the likelihood of the contract succeeding in the future.
- 1.24 Over the last few months, the council's SROs for each service within the contract have been reviewing performance against the contract in terms of:
  1. Delivery of contractual commitments;
  2. Compliance with output specifications; and
  3. Compliance with method statements.
- 1.25 Based on these assessments, SROs then prepared a SWOT (strengths, weaknesses, opportunities and threats) analysis for each of their service areas, along with identifying a range of opportunities for service development and cost reductions or income generation. These were agreed with CSG service leads and then subjected to review and challenge by the project team, prior to them forming the basis of a presentation pack to the Member Working Group.
- 1.26 Alongside this work, the project team carried out a series of interviews and workshops with Barnet's Commissioning and Delivery Unit Directors, Assistant Directors, Service Managers and staff to seek their views on what is working well with the services and what needs improvement. Schools were invited to participate in workshops or submit written comments, but only one school chose to participate. A report on the outcomes of these interviews and workshops is included in the evidence pack referenced in section 6 of this report. These outcomes also informed the challenge sessions that were held with SROs and CSG service leads.
- 1.27 At their meetings on 25<sup>th</sup> May 2016 and 5<sup>th</sup> July 2016, the Member Working Group considered the resulting service overview presentation pack for each service and, following discussion and challenge, confirmed the opportunities that they wanted officers to progress. These presentation packs are also included in the evidence pack referenced in section 6 of this report.
- 1.28 At these meetings, the Working Group also received updates on the progress of the Review and considered papers setting out some of the key commercial arrangements contained in the contract.
- 1.29 Based on the outcomes of these meetings, officers commenced the development of more detailed proposals, in dialogue with CSG colleagues.
- 1.30 The Working Group meeting on 25<sup>th</sup> July 2016 was held in public and sought the views of residents, traders and local businesses about the contract. Four

residents submitted statements about their experiences of the services provided under the contract. One resident presented their views to the meeting and subsequently provided a copy of their presentation. At the meeting, Members considered the statements that had been submitted and identified a number of areas that required further attention as part of officers' continuing work on the Review. The submissions from members of the public are attached as Appendix B. Responses to the concerns raised are incorporated in the relevant sections of the report and summarised within the Appendix.

- 1.31 At its meeting on 4<sup>th</sup> August 2016, the Working Group considered a presentation pack summarising the performance of each service covered by the contract. This is included in the evidence pack referenced in section 6 of this report. It identified, for the contract to date:
- Progress on delivering contractual commitments
  - Service cost
  - Performance against KPIs
  - Any performance remedies applied
  - Key service risks
- 1.32 Based on their consideration of the service overviews and performance assessments, the Working Group agreed a range of draft desired outcomes for the Review and tasked officers to proceed with securing these, in dialogue with CSG colleagues. The draft desired outcomes were considered by the Performance and Contract Management Committee at its meeting on 6<sup>th</sup> September 2016.
- 1.33 The Working Group also considered a paper setting out the current arrangements for ensuring value for money from expenditure incurred in supporting the delivery of capital, transformation and ICT projects. This expenditure is not included in the core contract price and varies from year to year, depending on what projects are commissioned by the council. The Working Group agreed a number of opportunities for securing further assurance on the value for money achieved through this expenditure, for further exploration by officers. The paper, excluding exempt information, is attached as Appendix C. The same paper, including exempt information, is attached as Appendix F.
- 1.34 At its meeting on 28<sup>th</sup> September 2016, the Working Group considered a more in-depth assessment of performance in respect of the ICT service, which is included in the evidence pack referenced in section 6 of this report.
- 1.35 The Group also considered a paper setting out the results of a CIPFA benchmarking exercise, which compared the current cost of various services covered by the contract with those provided within similar councils. The paper is attached as Appendix D. Key elements are included in the service outcomes sections of the report, but in broad terms, the benchmarking exercise shows that the services provided under the contract are generally low cost, compared to similar services provided from within similar councils. This should be regarded as an indicator of comparative cost, as membership



of benchmarking clubs is self-selecting and service definitions and treatment of cost will vary to some extent within the councils that do choose to participate.

- 1.36 Alongside the consideration of evidence by the Working Group, officers have been continuing dialogue with CSG colleagues to work up proposals for delivering the desired outcomes from the Review. These proposals are at various stages of development and implementation. Detail on the content and status of the proposals is set out in the remaining sections of the report.

### **Overview of contract performance**

- 1.37 The key drivers for entering into the CSG contract in 2013 were to:
- a) Achieve significant cost reduction;
  - b) Maintain service quality; and
  - c) Secure investment in improving Customer Services.
- 1.38 Overall, the contract is delivering against these objectives. Most notably, the services covered by the contract are being delivered at considerably lower cost than prior to the contract being put in place and they are generally low cost compared to similar services in other councils. Prior to the contract, the annual cost for the core services was approximately £31m. Under the contract, the annual cost of those services is now approximately £25m, representing an annual saving of approximately £6m.
- 1.39 Over the 10-year term of the contract, savings on the provision of core services, together with procurement savings and increases in income, are anticipated to be in the region of £125m.
- 1.40 Notable achievements through the contract to date are:
- Office moves at North London Business Park have saved the council £5.2m per year
  - The Revenues and Benefits service collected £5.1m more in 2015/16 than in the previous year
  - 76% of customers are satisfied with the service, which is up from 52% pre-contract
  - 94% of face to face customers are satisfied, up from 35% pre-contract. As of August 2016, the service is rated the top Face to Face service for all councils using GovMetric scoring
  - There has been an unqualified audit opinion for the annual accounts since contract start
  - £5.6m procurement savings have been delivered to date and the service is on track to meet the overall commitment
  - Introductions to the wider Capita Group, for example Capita Asset Services, whose review of the council's financing arrangements in respect of Minimum Revenue Provision has released an additional £18m of revenue funding over the life of the contract

- 1.41 Overall, performance against the Key Performance Indicators (the main objective measure of service quality) is acceptable. In 2015/16, 27 of the 30 service-delivery KPIs achieved their target over the year as a whole. Detailed performance information is provided in the service outcomes sections of the report. Performance information is reported regularly to the Performance and Contract Management Committee, including details of service credits that have been applied where targets have not been achieved within the quarter. The total credit applied for service-delivery KPIs in 2015/16 was approximately £81k, compared to approximately £164k in the previous year, which suggests that service performance is generally improving.
- 1.42 In respect of contractual commitments, a comprehensive review of these has been carried out. Overall, over 85% of the 294 certain contractual commitments have been substantially delivered, are in progress or are classified as “ongoing”, i.e. they are an obligation that continues for the duration of the contract. The Review has highlighted that some contractual commitments were delivered later than anticipated in the contract. Reasons for late delivery vary. In some cases, effort has been re-prioritised in agreement with the council’s SRO, in other cases commitments that were made in the original bid have proved to be more complex to deliver than was anticipated. The Review has also highlighted that many of the items listed as contractual commitments repeat things that are covered elsewhere in the contract, for example within KPIs.
- 1.43 Not surprisingly with a contract of this scale and complexity, there have been performance challenges in all services, some of which have been significant. This has most notably been the case with the ICT and Estates services, both of which it is acknowledged had performance issues going back a number of years prior to contract commencement. Instability in the senior management of these services is likely to have contributed to these issues. There were also substantial issues with the performance of the HR service in the early years of the contract, but these have been turned around over the last year and the service is generally regarded to be improving under the new CSG HR Director. Unified Reward is a significant achievement for the service and excellent progress has been made on reviewing and updating key HR policies. It is also recognised that issues such as the libraries’ system failure have had an impact on public perception of the performance of the contract. The Performance and Contract Management Committee has received regular reports on any performance issues and, where necessary, improvement plans have been put in place. Further service improvements have been identified as a result of this Review and are set out in the following sections.
- 1.44 One key area of concern in terms of overall performance is internal customer satisfaction. This is measured through annual surveys of commissioners and staff, using standard CIPFA survey questions. The survey results in respect of the financial year 2014/15 were not statistically valid, due to there being an insufficient response rate. Survey results in respect of the financial year 2015/16 were universally poor, with all services failing to meet the target of upper quartile customer satisfaction. As a result, service credits to a total value of £116k have been applied in respect of these KPIs.

- 1.45 To some extent, a degree of dissatisfaction amongst internal service users is to be expected, given the fact that cost reductions have been achieved to a large extent through increased self-service for both managers and staff, along with more restrictive processes and controls over things like the payment of invoices and the appointment of staff. Despite the survey outcomes indicating a low level of satisfaction, the interviews conducted with staff and managers as part of this Review suggest that services are generally considered to be improving. The survey itself does not require respondents to provide a rationale for scores below an acceptable level and therefore provides no qualitative information on which to base improvement planning.
- 1.46 Discussions are continuing with CSG to develop a method of defining and measuring internal customer satisfaction KPIs that provides more meaningful information on which to base improvement planning. This is likely to include surveys augmented with a more qualitative approach, such as workshops with key users to better understand their concerns and needs.
- 1.47 It is considered that the successful implementation of the service improvements identified as a result of this Review will contribute to improving internal customers' perception of the services.
- 1.48 The council's contract management approach has developed and been strengthened over the first three years of the contract, for example with additional client resource being put into the HR, Estates and ICT services. In broad terms, the current arrangements for governance and performance management of the contract are considered to be robust, but the Review has identified the potential for further enhancements to the contract management arrangements to streamline reporting arrangements and clarify accountabilities.

### **Review outcomes at partnership level**

- 1.49 In addition to reviewing the performance of each service provided under the contract, the Review has also sought to identify issues and improvements that have an impact on the performance of the contract as a whole. Based on their consideration of service performance, together with the key issues that were identified by the council's managers and staff, a range of partnership level desired outcomes were agreed by the Working Group.

#### Performance management

- 1.50 The first desired outcome related to performance management and involved reviewing and refreshing KPIs, commitments and obligations across all services, to reflect corporate priorities and drive desired behaviours. This work has been undertaken within each service workstream and coordinated by the review team. The changes required to KPIs generally involve adjusting definitions or reporting arrangements, to ensure that they remain relevant to changing circumstances. Specific proposed changes are set out in the service outcomes sections of the report.

- 1.51 The Review provides an appropriate opportunity to update the list of contractual commitments and to:
- a) Close off those commitments that have been delivered; are no longer relevant or are covered elsewhere within the contract;
  - b) Transfer “ongoing” commitments to the method statement or output specification, as appropriate;
  - c) Review and agree the wording of remaining commitments to ensure that they are clear and relevant (i.e. SMART); and
  - d) Confirm future monitoring and reporting arrangements, including reporting of progress to the Performance and Contract Management Committee.
- 1.52 It is recommended that progress on finalising amendments to KPIs and updating the contractual commitments list be considered by the Member Working Group and reported to the Performance and Contact Management Committee, before the end of the financial year.

#### Governance

- 1.53 On governance arrangements, the desired outcome was to ensure that governance arrangements, reporting processes and a shared organisational development strategy would collectively drive improvement, develop an effective partnership culture and support staff retention. It was also acknowledged that changes may be required to enable the council to be a better client.
- 1.54 Good progress has been made on identifying and agreeing changes to the operation of the Strategic Partnership Board and the Partnership Operations Board, in order to streamline reporting arrangements and ensure that meetings can be more focussed on resolving issues and driving improvement. Work is also well under way on refining the roles of SROs, the Commercial team and CSG workstream leads, to provide greater clarity on responsibilities and accountabilities.
- 1.55 A “partnership development strategy” is being developed with the aim of improving the effectiveness of partnership working and maximising the benefits of the council’s relationship with both CSG and the wider Capita organisation. The strategy will:
- a) incorporate the changes to management arrangements referred to above;
  - b) set out agreed principles that underpin effective partnership working and ensure joint responsibility for securing success and resolving problems, together with a programme of activity designed to develop effective partnership working behaviours that support the achievement of those principles;
  - c) identify approaches to ensuring more regular and effective interaction with council commissioners and delivery unit management teams, in order to strengthen the contribution to the council’s strategic and business planning activities; and

- d) set out arrangements to improve interaction with Capita's other key partnerships, such as Birmingham and Sheffield, for example through an annual horizon-scanning conference.
- 1.56 It is anticipated that the implementation of this strategy will support staff retention by creating a greater sense of being part of an effective partnership arrangement.
- 1.57 It is recommended that progress on finalising the partnership development strategy be considered by the Member Working Group and reported to the Performance and Contact Management Committee, before the end of the financial year.

#### Systems

- 1.58 In response to concerns raised by managers and staff, the need for an agreed plan for improving basic systems performance and delivery (including management information) was identified as a key desired outcome of the Review. The main systems concerned were the Integra finance system and the Core HR system. The approach to maximising the benefits of these systems, through a combination of system development, training and communication, is set out in the relevant service outcomes sections of the report.

#### Resources

- 1.59 Similarly, the desired outcome of ensuring that sufficient, suitable, expert resources are in the right place to provide the strategic support the council needs has been addressed through the Finance, ICT and Estates workstreams. Specific proposals include improving the effectiveness of the business partnering model in Finance, strengthening the leadership team and increasing capacity within Estates and enhancing the project and programmes management function within ICT.

#### Innovation

- 1.60 A particular concern amongst the council's senior management and Members of the Working Group has been the perception that the council does not appear to have benefited from the injection of innovation and forward thinking that was anticipated from links with the broader Capita organisation. Through discussions, it has been identified that the key issue here has been highlighting and evidencing relevant activity and contributions, leading to a communications gap on sharing best practice. Recent developments in the use of the Innovation Lab to consider issues such as the Adults web refresh and Smart Cities have demonstrated an increased impetus in this aspect of the contract.
- 1.61 The partnership development strategy will include a programme of activities to encourage and raise the profile of innovation arising out of the operation of the partnership. It will also drive modifications to the Strategic Partnership Board agenda, enabling more time for horizon-scanning and consideration of innovation.

### Flexibility

- 1.62 A further desired outcome at partnership level was to create more flexibility within the contract model to better adapt to the council's changing needs. This outcome was identified in response to the fact that various services within the council are currently considering the development of alternative delivery vehicles, which may have an impact on future demands upon the CSG contract. The dialogue process has identified that any significant changes in this respect would fundamentally change the commercial model on which the contract is based and it is not therefore feasible to secure the desired flexibility through changes to the contract itself. However, good progress has been made on developing a protocol that will guide future discussions about any potential reduction in the scope of the contract as a result of strategic decisions by the council. Dialogue is continuing to complete the protocol, the outcome of which will be included in the partnership development strategy and reported to the Member Working Group in due course.

### Communication

- 1.63 The final desired outcome at partnership level was to develop a communications strategy to raise awareness of achievements and improvements amongst key stakeholders. A framework document has been developed for this, which will be populated and considered by the Member Working Group at the conclusion of the Review work.
- 1.64 One further matter that has been explored as an important part of this Review at partnership level is the council's appetite to extend of the contract beyond the original 10-year term at this stage. In terms of benefits, similar contract reviews conducted within other councils have secured significant additional savings by linking the Review with a contract extension. Capita were keen to explore these options and conveyed a desire to proceed with discussions as part of this Review. However, it is considered that any improvements to services, plus new initiatives, as set out in this report, should be the primary focus at this stage. It is therefore proposed that the outcomes of this Review be seen as an enabler to aid discussions of a possible extension towards the end of this financial year.

### Savings proposals

- 1.65 Given the need for the council to continue to make further significant budget savings to the end of the decade and beyond, the council needs to look at all major contracts to see where further efficiencies and savings can be achieved. As such, one of the desired outcomes of this Review has been to deliver further savings to the council – alongside service improvements – through cost reductions, income generation and/or de-scoping of activity. This desired outcome has informed discussions with CSG at both partnership and service level, with a wide range of opportunities being explored through the dialogue process. In total, potential savings in the order of up to £2.9m per

year have been identified by 2018. There are a number of caveats in relation to this figure, of which the Committee should be aware.

- 1.66 Firstly, it should be made clear that this is an overall savings envelope and that the £2.9m figure is seen as the upper end of what could be achieved, without impacts on the services within the contract, and given that there is a contract in place, which already provides savings of £125m over the contract term, and that Capita are under no contractual obligation to offer further savings as part of the current contract.
- 1.67 Secondly, it should also be made clear that this figure is an estimate and further work will be required to determine the precise levels of savings that can be achieved in relation to some of the specific areas of opportunity identified. The overall potential savings envelope is based on a mix of direct cost reductions, savings guarantees and future cost avoidance and some of these will be easier to implement and achieve than others. In broad terms, it is considered that there is a high degree of certainty in the delivery of approximately £1.5m of the total identified.
- 1.68 Finally, there is a trade-off between the level of savings that can be achieved and the potential impact on the quality of services within the contract. This is a delicate balance and officers will continue to work with CSG to ensure that the delivery of savings does not put at risk the required improvements to services that have been identified through this Review, or indeed lead to a deterioration of quality against current service levels.
- 1.69 The main elements of the overall £2.9m potential savings are set out in the following paragraphs.

Establish dedicated ICT project support teams

- 1.70 In order to improve the effectiveness of project management in respect of the ICT service, it is proposed that two further dedicated project teams be established to support the ICT transformation programme, under the auspices of the Programmes service. One team would focus on programme and project management, whilst the other would provide the key technical resource required to deliver the council's ICT strategy. In addition to improving the quality of the service, the certainty that this would provide in respect of resourcing levels would also enable savings of approximately **£660k** to be achieved against contracted rates. The cost of the two teams would be approximately £700k per annum. As this expenditure relates to future projects, it represents future cost avoidance. It is recommended that Members endorse the establishment of a dedicated ICT project support team.

Increase remit of Procurement service

- 1.71 The procurement service is generally considered to be performing well and savings guarantees have been exceeded over the first three years of the contract. However, the contract does not currently cover all aspects of the council's procurement activity and it has been identified that there may be significant additional savings to be achieved by applying the procurement team's expertise to a broader range of activity.

- 1.72 A number of areas of expenditure have been explored and it is considered that an additional savings guarantee of approximately **£500k** could be achieved by extending the procurement team's remit to include the capital programme. Work is progressing on the detailed analysis that is required to secure this guarantee. Safeguards will need to be built into the final proposal to ensure that the calculation of gainshare is fair and transparent, and that savings are both real and achievable. At this stage it is recommended that officers proceed with the detailed analysis and negotiation that is required to secure a firm proposal, which would be brought back to Members for consideration in due course, with a clear view about the risks and benefits of such an approach.
- 1.73 Discussions have also taken place with a view to extending the remit of the Procurement team to include the Barnet Group's expenditure. There have been initial, positive discussions with the Group's management, but further analysis of expenditure, existing contract arrangements and the future needs of the service is required before a formal proposal can be developed. It is proposed that this opportunity be taken forward as part of the discussions about a potential alternative delivery vehicle for Street Scene, in order to avoid any double counting of potential savings.

#### Management Fee Payment Profile

- 1.74 A direct cost saving in the order of **£500k** could be achieved by amending the payment arrangements for CSG. The bulk of this is the saving that could be achieved through amending the payment profile of the annual contract management fee, which the council is contractually required to pay each year. This fee – which overall costs around £25m each year - is currently payable on a quarterly basis, i.e. for 2017, it is due to be paid in four instalments due in March, June, September and December. Paying the fee as one payment in December 2016, would trigger the saving.
- 1.75 This would represent a genuine, guaranteed, cashable saving, without any impact on the scope or quality of services, and significantly in excess of the opportunity cost to the council. The prepayment relates to that element of the contract that the council is obliged to pay in any event and does not create additional risk in that regard. The key additional risk associated with this proposal would arise in the event of Capita ceasing to trade during the period to which the payment relates. This has been reviewed by the council's financial officers and is considered to be highly unlikely. Contract withdrawal is a lengthy process and the contract would ensure that any surplus monies would be returned to the authority. Paying the management fee up front does not impinge on the council's ability to issue service improvement notices or apply service credits in year, if services do not meet agreed performance levels.
- 1.76 A further saving could be achieved by adopting a similar arrangement for the payment of invoices associated with the dedicated project teams that have been established to support the council's transformation and capital programmes. This would involve a pre-payment of approximately £1.9m,



based on one year's spend. Whilst these fees do not form part of the core contract payment, the council has already committed to funding these teams to March 2018 (transformation projects team) and March 2020 (capital projects team) and this is therefore considered to be low risk.

- 1.77 Further detail on these proposals is set out in Appendix E, which is redacted to exclude exempt information, and Appendix G, which includes the exempt information.
- 1.78 It is recommended that Members endorse the proposal to amend the payment arrangements for 2017.
- 1.79 As part of the discussions on this proposal, the benefits of paying more than one year in advance were explored. Whilst the financial benefits of doing this would be significant, it was considered to be a higher risk option and it is therefore considered that the one year payment options be accepted. However, the Committee should also note that further savings could be achieved in future years if fees were paid up front again – say, in 2018. At this stage, it is not recommended that any commitments are made to any future prepayments.

#### Reduction in agency spend

- 1.80 Members will be aware that the level of expenditure on agency staff is a continuing concern for this council, as with many others. As a result of this Review, the HR team have developed a proposal to secure a direct reduction of approximately **£330k** against current expenditure on interim roles, which is a term used to describe contractors that are:
- Engaged to fill a senior established role;
  - Engaged to provide additional capacity at management level; or
  - Engaged to provide specialist skills to complete a discrete piece of work/project on a time limited basis.
- 1.81 Such roles are generally recruited through agencies that typically charge a higher fee level than those that are used to recruit to more routine agency roles. The saving would be achieved by either transferring existing interims to agencies that charge a lower percentage fee, or by re-negotiating the fee level with the interim's existing agency. Whilst some degree of caution has been applied in calculating the estimate given above, there is a risk that not all of it will be achieved, so a more cautious estimate of **£220k** is considered to be prudent.
- 1.82 This saving would be covered by the existing procurement guarantee arrangements, so it does not represent an additional, cashable saving. However, it does have the effect of accelerating achievement of the existing procurement guarantee and it will have the effect of reducing the overall amount that the council spends on agency staff, so it is recommended that the proposal be noted at this stage, pending further analysis and dialogue with CSG to explore the risks and benefits of the approach.

### Employee benefits scheme

- 1.83 The HR service has developed an employee benefits scheme, centred on the use of Orbit, which is Capita's proprietary online employee benefits system. In summary, the scheme allows employees to select a range of benefits through the Orbit online system (for example additional annual leave, child care vouchers, discounted car purchases, life insurance), for which they "sacrifice" an appropriate element of their salary. The scheme has been introduced on the basis of it being at no additional cost to the council. In addition, there are potential significant financial benefits to the council in respect of the reduction in Employer National Insurance contributions that it would have to make.
- 1.84 Based on average take-up of the scheme elsewhere, savings could potentially be up to around **£900k** per annum. However, this is entirely dependent upon the level of take-up by employees and the effectiveness of communication and engagement in securing that, so a prudent estimate of approximately **£125k** is proposed as having a high degree of certainty, for the purpose of this report. This would represent a genuine saving against council budgets, although it is acknowledged that accounting for this may be problematic, given that take-up levels are likely to vary across different services. It should be noted that this scheme will also be available to schools that purchase CSG's HR service and a similar level of savings could be achieved across that customer base. Introduction of the scheme itself has already been approved, so it is recommended that Members note that the Review has identified that this potential additional saving to the council has arisen as a result of the implementation of the scheme. The arrangements for monitoring and accounting for savings will be incorporated in the annual budget report.

### Summary of savings proposals

- 1.85 The following table provides a summary of the savings proposals set out above:

Description of saving	Certain £000	Potential £000	Total £000	Type of saving
Establishment of dedicated ICT project teams	660	-	660	Guaranteed – avoidance of future costs
Procurement team remit	-	500	500	Guaranteed – additional procurement savings
Payment profile	500	-	500	Guaranteed – reduction of cost against the contract
Interims' agency fees	220	110	330	Not guaranteed – avoidance of future costs
Employee benefits scheme	125	775	900	Not guaranteed – savings against council staffing budgets
<b>Total</b>	<b>1,505</b>	<b>1,385</b>	<b>2,890</b>	

### Other potential savings

- 1.86 The savings identified above represent the key areas that have been explored through dialogue. There are additional areas of potential savings that have

been identified that may deliver further savings in the longer term, but these cannot be quantified at this point. These include:

- Reduction in print volumes;
- Increase the scope of the contract management function carried out by the Procurement service (at present most contracts are managed by delivery units); and
- Introduction of a corporate landlord model in the Estates service, whereby the Estates function “owns” and manages all property on behalf of the council.

1.87 Work on developing these proposals and quantifying any future potential benefits will continue as part of the ongoing arrangements for managing the implementation of the outcomes of this Review. It is recommended that Members note that further savings opportunities may be identified in due course.

1.88 In respect of income generation, for example through the expansion of traded services, various opportunities continue to be explored, but it is considered unlikely that they will deliver significant additional benefit to the council in the short term. Existing provisions regarding income gainshare will ensure that the council does secure a benefit from any expansion of these services that is achieved in due course.

## **REVIEW OUTCOMES AT SERVICE LEVEL**

### **Service outcomes – Finance**

1.89 Summary of the service

The main function of the Finance service is to provide a full range of financial management services to the council’s Delivery Units and Commissioning Directors. In addition, it:

- Provides a finance and accountancy traded service to schools;
- Supports development of the council’s Medium Term Financial Strategy, the dedicated schools grant and development of the 30 year Housing Revenue Account business plan;
- Produces the Pension Fund and the council’s financial statements;
- Provides transactional financial services, including accounts payable, accounts receivable, cash collection and cashiers; and
- Provides treasury management services for the council and the Pension Fund.

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

Current annual cost (£000k)	Share of annual transformation spend (£000k)	Total annual cost (£000k)	LBB baseline cost before contract (£000k)	Reduction from baseline
3,147	69	3,216	4,173	25%

This represents 14% of the annual cost of service delivery under the contract.

#### 1.90 Achievements and challenges

The key achievements of the service since contract commencement have been identified as:

- The successful introduction of a new finance system (Integra) at a significantly reduced annual cost, within timescale and delivering the required outcomes;
- The service has ensured that the council has consistently been one of the first London boroughs to prepare its annual Statement of Accounts and has done this to a high quality standard; and
- The traded service to schools continues to grow, despite increased competition within the market.

However, the service has not been without its challenges, the main ones being:

- Notwithstanding the successful introduction of the Integra system, users find it awkward to use and there is a need to improve their experience of using the system;
- The need to strengthen the Finance team's challenge to budget managers to improve the robustness of budget forecasting and monitoring, recognising that the service is highly dependent on the quality and timeliness of information received from council service areas; and
- Providing the flexibility and strategic input required to support transformation and changes in the council's structure and delivery models.

#### 1.91 Key performance and benchmarking information

In broad terms, the service is performing well against its main Key Performance Indicators (KPIs), which relate to the council's accounts. The annual outturn for each of the Service's KPIs is shown in the following table:

KPI	2013/14		2014/15		2015/16	
	Target	Outcome	Target	Outcome	Target	Outcome
<b>KPI FIN 29</b> Budget forecasting - % variance to budget	0%	Pass	0%	Pass	0%	Pass
<b>KPI FIN 30</b> Percentage of savings implemented	97%	Pass	98%	Pass	100%	Fail

<b>KPI FIN 31</b> Production of draft Statement of Accounts and to pass to the Authority's external auditors, and provide External Audit with all working papers to the Statement of Accounts	May 14	Reported after June	May 15	Pass	May 16	Pass
<b>KPI FIN 32</b> External audit completed and draft ISA 260 produced	Jul 14	Pass	Jul 15	Pass	Jul 16	Pass
<b>KPI FIN 33</b> Unqualified external audit opinion and submitted in line with required deadlines.	Pass	Pass	Pass	Pass	Pass	Pass

Service credits for failing to meet KPIs within the Finance service have been applied as follows:

Year	KPI	Service credit value
2016-17	KPI FIN 30 - % of savings implemented (not yet reported - treated as a fail until data becomes available)	£13,758
<b>Total</b>		<b>£13,758</b>

It should be noted that the failure to meet the target for KPI 30 related to one quarter only and discussions are continuing regarding the application of the above service credit.

Of the 27 contractual commitments relating to the Finance service, 15 have been delivered or are substantially complete. A further 11 are classified as "ongoing". Those that fall in this latter category will be transferred into the method statement. There are no contractual commitments for the Finance service that are classified as "not delivered".

CIPFA cost benchmarking data shows that the accountancy service is low cost relative to other organisations in the benchmark group. The service costs £3.40 per £1,000 of council spend, which is below the average cost of £4.00 per £1,000. The number of staff employed in the service is 0.5 FTE per £1m of expenditure, compared to an average of 0.8 FTE.

## 1.92 Call for evidence outcomes

The key points made about the Finance service by council service managers and staff were:

- The transactional finance service generally works well;

- Particular personnel and teams are highly regarded, e.g. Schools Finance Team;
- Some service areas receive good financial advice and support with budget management, though others would like improvements in these areas;
- More strategic advice and proactive challenge around budget monitoring is needed from CSG Finance, rooted in a solid understanding of the business. Increased interaction between the Finance team and service areas in between monthly budget monitoring meetings would help with this;
- Many users raised issues with the Integra finance system, describing it as clunky and not user-friendly or intuitive.

There were no comments from members of the public on the Finance service, which is primarily an internal support service.

### 1.93 Review outcomes

Based on the evidence outlined above, two priority outcomes for the Finance service were identified by the Member Working Group:

- a) Developing the business partner model, associated structure, governance arrangements and resources; and
- b) Maximising the benefits of the Integra finance system.

Council officers have been working with CSG colleagues to develop detailed proposals for achieving these outcomes.

Significant progress has been made on the development of the business partner model, with additional resources being allocated to work with service managers to better understand their needs. Work is now under way on a comprehensive re-design of the service to meet those needs, covering both the structure and the competencies required to deliver this new working model.

Work on maximising the benefits of the Integra system has centred on improving communication, primarily through the Integra User Group, and enhanced training provision. The approach to development of the system itself, to enable more automation and an improved user experience, will be set out in a system development roadmap that is being prepared in conjunction with the council's SRO.

Members are asked to note the proposed service improvements. Key milestones for the delivery of these improvements will be agreed as part of the implementation plan and progress against them reported to the Performance and Management Committee.

#### 1.94 Proposed changes to contractual arrangements

In broad terms, it is considered that the KPIs for the Finance service cover the right items. However, some adjustments to definitions would provide greater clarity. In particular, the detail of KPIs 29 (budget forecasting) and 30 (percentage of savings implemented) is being reviewed, with a view to reducing the subjectivity in measuring these, if at all possible.

### **Service outcomes – ICT**

#### 1.95 Summary of the service

The ICT service covers all aspects of the provision of technology support to the council, including:

- ICT delivery services:
  - Programme management
  - Project management
  - Service management
- Infrastructure
- Telephony
- Desktop services

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

<b>Annual cost (£000k)</b>	<b>Share of annual transformation spend (£000k)</b>	<b>Total annual cost (£000k)</b>	<b>LBB Baseline Cost Before Contract (£000k)</b>	<b>Reduction from baseline</b>
5,716	598	6,314	7,917	28%

This represents 25% of the annual cost of service delivery.

#### 1.96 Achievements and challenges

The ICT service that transferred to CSG has generally been acknowledged to have been in a relatively poor state, so a significant focus in the early stages of the contract was on putting the service on a more solid footing, most notably through the:

- Successful implementation of a new data centre; and
- Implementation of a more stable infrastructure and responsive service desk.

The service has experienced some significant challenges, notably:

- Translation of strategy into delivery and the capacity of CSG ICT to deliver;
- Service specific systems support and applications management; and
- Members' ICT.

#### 1.97 Key performance and benchmarking information

Notwithstanding the known issues with the ICT service, it has performed well against its Key Performance Indicators (KPIs), which relate to the fundamental day to day delivery of the service. The annual outturn for each of the Service's KPIs is shown in the following table:

KPI	2013/14		2014/15		2015/16	
	Annual Target	Annual Outturn	Target	Annual Outturn	Target	Annual Outturn
<b>KPI IS 15 - Incident Resolution</b> (Percentage of incidents resolved within agreed service levels)	83%	88%	87%	91%	91%	98%
<b>KPI IS 13 - Critical System Availability</b> (Percentage availability of top 7 IT systems & services ("core council systems") over supported hours)	99.5%	99.87%	99.5%	99.93%	99.5%	99.5%

There have been no service credits applied to the ICT Service, but in May 2014 a "notice to remedy" was issued, following repeated failures to provide a reliable telephony service. This was resolved in accordance with the requirements of that notice.

There were 33 contractual commitments relating to the Service, of which 20 have been delivered and 10 are in the process of being delivered. There are two commitments that have not yet been delivered within the required timescale and a further one commitment that is not yet due for delivery.

CIPFA benchmarking data shows that the cost of the ICT service is slightly above the median, but below upper quartile in terms of the cost of the service as a percentage of organisational running costs. The average cost of ICT for organisations in the benchmark group is 3.4% of organisational running costs, whereas for Barnet, it is 3.5%.

Members will be aware that there have also been two limited assurance audits this year in respect of the Service, on disaster recovery and change management, together with the failure earlier this year of the library management system. These issues have been the subject of in-depth consideration by the Audit Committee and the Performance and Contract Management Committee, so were not subjected to further scrutiny as part of this Review process. However, in the light of these issues, the Working



Group did conduct a more detailed examination of the performance of this Service.

#### 1.98 Key points from the call for evidence

The key points made about the ICT service by council service managers and staff were:

- Business as usual systems and server stability has improved;
- IT Service Desk staff are helpful and issues are resolved relatively quickly;
- The lack of proactive strategic support from IT is a significant issue – CSG IT need to improve their capacity to lead change, bring forward innovation, forward plan for hardware/software/system updates and identify risk;
- The IT service has too much of a technical focus and needs to improve its advisory function, particularly given the lack of specialist IT staff on the client side;
- Slow responsiveness of IT strategic advice acts as a barrier to service and project delivery;
- Inflexibility and lack of an agile approach around security and hardware is a major issue, with current systems and hardware not supportive of flexible or mobile working;
- It is difficult to get accurate performance data for IT and current KPIs do not reflect actual performance;
- The lack of out of hours IT support is a particular issue for Family Services;
- Insufficient notice is given for system upgrades and down times, and the times chosen are often unhelpful; and
- The poor coverage for WiFi in parts of Building 2 is challenging for flexible working and the lack of guest WiFi impacts on visitors and external staff.

There were no comments from members of the public on the ICT service, which is primarily an internal support service.

#### 1.99 Review outcomes

Based on the evidence outlined above, four priority outcomes for the ICT service were identified by the Member Working Group:

- a) Support the delivery of the Council's Locality Strategy through the deployment of innovative approaches to flexible and mobile working and a new document management system;
- b) Improving support for the management and operation of delivery unit systems;
- c) Injecting innovation and improving interaction of strategic and tactical capability; and
- d) Meeting Members' ICT needs.

In respect of the first outcome, various enhancements to systems are underway. This includes the deployment of upgraded Local Area and Wide

Area Networks. This work has been brought forward from year six of the contract and will allow better wireless connectivity across all of the council's sites. Wireless mobility upgrades are also being reviewed to avoid location drops and the Blackberry upgrade across the council has been completed. Work is progressing on revising the structure of the ICT service, to improve coordination with key strategic programmes and ensure that service changes support the strategic direction of the council.

To improve support for delivery unit systems, a review of all council ICT applications has been completed to provide clarity on the current position regarding back-ups, disaster recovery arrangements, resilience and support arrangements. The applications register is now being updated to provide a forward plan of key system upgrades and improvements. Engagement with delivery units is being improved through the implementation of changes to governance forums, such as the IT User Group, and the updating of ICT pages on the intranet to improve the information that is available on ICT services for staff. The structure changes mentioned above will also secure improved engagement between application management teams and delivery units. A detailed service improvement plan is being implemented to improve the way that CSG manage incidents, changes and security for delivery unit key systems.

The establishment of stronger senior management roles within ICT, together with changes that have been made to the operating model within Capita Local Government, will improve strategic support and innovation-led development. The ICT strategy has been updated and aligned with the Customer Access strategy and will deliver closer working with digital teams to support improvements to the website, intranet and Adults Services team. These changes have also delivered improvements in the management of key projects, including Mosaic (the replacement Adults social care system). It has also been aligned with the Colindale Business Case, to support the implementation of new technology and systems that will enable a more flexible and mobile workforce. Proposed changes to the arrangements for the delivery of ICT projects are set out in the Programmes section of this report.

Since this Review started, significant progress has been made on improving support for Members' ICT needs. This work has been overseen by a separate Member-led Working Group. The creation of a Members' ICT improvement plan has resulted in over 70 Member ICT support issues being closed. Members' ICT requirements have been discussed at length during Working Group sessions to inform the development of proposals to deliver improved ICT for Members. These include:

- Out-of-hours ICT support arrangements;
- Self-service password reset;
- Implementation of Office 365 and email with numerous enhancements that Members and council officers would benefit from, whilst at the same time contributing to the council's flexible and smarter working strategic objectives;
- Options appraisal for the upgrading or replacement of Modern.Gov; and

- Options for reducing network security for Members, to allow greater flexibility.

To further increase support and visibility for Members ICT, a Members' ICT Handbook has been produced, to provide all the relevant training material and key policies that Members might need to refer to. Additional support has also been targeted at key events that Members attend and a number of additional out-of-hours surgeries have been offered.

Members are asked to note the improvements that have been, and continue to be, made to the delivery of the ICT service. Key milestones for the continued delivery of improvements will be agreed as part of the implementation plan and progress against them reported to the Performance and Management Committee.

#### 1.100 Proposed changes to contractual arrangements

It is considered that the KPIs for the ICT remain appropriate. However, a change has been proposed on the detailed definition of KPI 13 (critical systems availability), to extend the KPI to cover the telephony system at Coventry. Additional Performance Indicators on non-critical system availability and response times for dealing with service requests have also been proposed. Discussions are continuing to finalise the detail of these.

### **Service outcomes – HR**

#### 1.101 Summary of the service

The HR service provides a full range of transactional and professional services to support the organisation in managing all aspects of its workforce. The Service covers:

- Pay & reward and pensions administration
- Strategic HR advice and consultancy
- Customer contact centre
- Recruitment and compliance
- Safety, health and wellbeing
- Employee relations
- Business partners and change
- Strategic data
- Industrial relations
- Policy and equalities
- Workforce planning and organisational development

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

Annual cost (£000k)	Share of annual transformation spend (£000k)	Total annual cost (£000k)	LBB Baseline Cost Before Contract (£000k)	Reduction from baseline
2,466	152	2,618	3,765	35%

This represents 11% of the annual cost of service delivery under the contract.

### 1.102 Achievements and challenges

The key achievements of the Service since contract commencement have been identified as:

- Securing agreement on, and implementing, the Unified Reward agreement– a new pay and reward model and approach to improve productivity and reward performance;
- Introducing new approaches to Learning and Development, with a strong focus on organisational management, for example management and leadership academies;
- The high quality of strategic advice to senior team;
- Transformation of the social care agency spend, enabling the council to have the lowest spend on agency staff in this area of activity across London;
- Good handling of extensive restructuring and alternative service delivery models; and
- The service has now stabilised and there have been clear reductions in organisational “noise”.

As the final point indicates, the Service has not been without its challenges during the early years of the contract, the key ones being:

- Significant operational challenges during the first 18 months of the contract, which are now either resolved or nearing resolution;
- The lack of high quality, accessible data for managers to help them manage their staff (sickness and performance data and, more historically, establishment data). This has improved significantly this year;
- The multi-system HR environment (Comensura for agency staff, Core HR for establishment information, Tribal for recruitment) adds complexity to the process and affects data management; and
- Improving the council’s workforce management, where CSG provides support, but are reliant on action from council managers.

### 1.103 Key performance and benchmarking information

The annual outturn for each of the Service’s KPIs is shown in the following table.

KPI	2013/14		2014/15		2015/16	
	Target	Outturn	Target	Outturn	Target	Outturn
<b>KPI HR 16: DBS Verification Audits</b>	100%	100%	100%	100%	100%	99.9%
<i>To facilitate compliance with statutory legislation and Council Policy to ensure that every employee who has a requirement to have a Criminal Record Check (CRB) undertaken, has a valid check in place which should be no more than three years old</i>						
<b>KPI HR 17a: Payroll Accuracy – Payroll Error Rates</b>	0.34%	0.16%	0.32%	2.45%	0.15%	3.1%
<i>Pay Accuracy - ensure all employees are paid correctly including ensuring all statutory and other deductions of pay are correct. Subject to the following definition: Pay Errors - an error is defined as made directly by HR and excludes any errors resulting from incorrect authorisation or information supplied by line managers</i>						
<b>KPI HR 17b: Payroll Accuracy - Correct pay Dates</b>	100%	100%	100%	100%	100%	100%
<i>Pay Date - to ensure all employees are paid on the published 'pay date' Subject to the following definitions: Pay Date - this excludes any non-payments as a result of a customer missing the published HR payroll cut-off date or failure to provide the correctly completed or authorised documentation to HR.</i>						
<b>KPI HR 18: Absence projects and interventions</b>	N/A	N/A	Pass	Fail	Pass	Pass
<i>All projects/interventions that have been agreed are delivered in a rolling quarterly Programme of Work order to positively reduce the Authority's absence in levels where completion is within the Service Providers span of control.</i>						

Payroll accuracy has improved through the contract term. For the current financial year to date, the overall error rate has been 0.05% of the 43,734 employees paid during the period, which is within contract tolerance.

The Service has been the subject of two “notices to remedy”, one in August 2014 and one in May 2015. The actions required under these notices have been completed.

Service credits have been applied as follows:

Year	KPI	Service credit value
2013-14	KPI HR 017a – Payroll accuracy – error rates	£2,752
2014-15	KPI HR 017a – Payroll accuracy – error rates	£20,635
	KPI HR 018 – Absence and Intervention	£38,466
2015-16	KPI HR 017a – Payroll Accuracy – error rates	£19,260
	KPI HR 016 – DBS Verification Audits	£2,137
	KPI HR 018 – Absence and Intervention	£28,850
2016-17	KPI HR 017a – Payroll accuracy – error rates	£34,864
<b>Total</b>		<b>£146,964</b>

Of the 23 contractual commitments that relate to the HR service, 18 have been delivered or are substantially complete and five are in progress. There are no contractual commitments that have not been delivered within the required timescale.

The CIPFA benchmarking information shows that the cost per payslip for Barnet is significantly below the average for the benchmark group, at £1.01 in 2015/16, against an average of £3.50. Overall, the cost of the service as a percentage of organisational running costs is below average. In line with this, the ratio of council employees to HR staff members is relatively high.

#### 1.104 Key points from the call for evidence

The key points made about the HR service by council service managers and staff were:

- This is an improving service, following a decline in service quality in the early stage of the contract;
- Employee relations, training, learning and development and Unified Reward were highlighted as particular areas of high performance;
- There have been significant issues about the accessibility and quality of HR data, in particular establishment, sickness and absence data;
- Processes are overly complicated and Core HR system is poor;
- There have been some significant delays in the on-boarding process, particularly with pension transfers and new starter set-up;
- Some directors reported issues with HR not engaging with service areas early enough on key projects, with others raising concerns about the lack of proactive, strategic support from HR; and

- In general, the payroll service works well, but there have been issues with payments for staff who work irregular hours and on transfer to alternative delivery models.

There was one comment from a member of the public, regarding teachers' ability to contact CSG directly on payroll matters. This was the case at the start of the contract, but an employee help-line number has subsequently been provided.

#### 1.105 Review outcomes

Based on the evidence outlined above, five key outcomes for the HR service were identified by the Working Group:

- Stepping up workforce management support, for example on sickness absence, recruitment, staff retention (within CSG and the council as a whole) and performance management;
- Developing an integrated, efficient "on-boarding" process;
- Developing a council-wide learning and development service offer;
- Maximising the benefit of the Core HR system; and
- Provision of HR support to the move to Colindale and delivery of the Council's Locality Strategy.

Proposals in respect of workforce management support have been worked up alongside this Review process and considered by the Workforce Board. Within this, specific proposals on reductions in agency spend have been agreed. Otherwise, amendments to KPI definitions and performance indicators will assist in driving the service forward to support the council with its future requirements.

Progress on developing an integrated "on-boarding" process is dependent upon decisions that the council needs to make on the recruitment portal. Specific proposals on this will be incorporated in the plan for implementing the Review outcomes.

The learning and development offer has been developed and approved through the Workforce Board and has now been implemented.

Maximising the benefits of Core will be driven by the cycle of system upgrades. Improvements will be articulated in a system road map, key milestones from which will be included in the Review implementation plan.

The move to Colindale will be supported by the HR Lead and Change Lead resources identified for this project, who will utilise the skills of existing resources and bring in additional resources, as necessary, to ensure that employees and partner organisation staff have the equipment and training needed to work in a much more agile way.

### 1.106 Proposed changes to contractual arrangements

A new KPI is being developed to measure “time to hire”. This will measure the time taken between HR being informed about the successful candidate and an unconditional contract being signed. It will replace the existing KPI HR 17b (correct pay date). The new KPI has been agreed in principle and details of how it will be measured are being finalised. The definition in respect of KPI HR 18 (absence projects and interventions) is being strengthened. New performance indicators on training and agency staff reduction are also being developed.

### **Service outcomes – Customer Services**

#### 1.107 Summary of the service

Customer Services provides the main interface between the public and the majority of the council’s services, including:

- Street Scene (waste, recycling, green spaces, street cleaning, etc.)
- Council tax, Housing Benefits, NNDR
- Parking
- Assisted travel (blue badges & freedom passes)
- Libraries
- School admissions
- Registrars
- Electoral registration and call centre – we provide general enquiries service for electoral calls, not the registrations
- Social Care Direct (adults’ social care)
- Youth services
- Children’s service front door
- Switchboard

The majority of the service is delivered through the telephone, email and web form contact centre based in Coventry, but the service also delivers face to face services at Barnet House, including through Social Care Direct, and Burnt Oak. The service manages the council’s website and My Account facility, which is an increasingly important part of the overall service, and handles Members’ enquiries.

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

Current annual cost (£000k)	Share of annual transformation spend (£000k)	Total annual cost (£000k)	LBB baseline cost before contract (£000k)	Reduction from baseline
2,634	78	2,712	3,379	22%



This represents 11% of the annual cost of service delivery under the contract.

#### 1.108 Achievements and challenges

A key objective of entering into the CSG contract was to secure investment in improving Customer Services. To this end, the service went through significant transformation during the early stages of the contract. Particular achievements have been:

- Moving towards an outcome-based approach, focusing on customer satisfaction with delivery;
- Performance on delivering cases in time, which is a key driver for satisfaction, is very high in Parking and Assisted Travel;
- Introducing an advocacy service for vulnerable customers, who require additional support;
- Operational effectiveness and efficiency, together with increased satisfaction with telephone and face-to-face customer contact, including building a new contact centre operation off-site, in Coventry;
- Introducing improved queue management in the face to face centres;
- Introducing new automated telephony, a new website and My Account; and
- An agreed direction of travel through the customer access strategy, which is a key enabler for the council's business planning for the next three years and will provide the platform for the next stage of transformation.

The achievement of transformation on this scale has not been without its challenges, the most significant of which have been:

- Striking the right balance between achieving efficient, automated processes and maintaining or improving customer satisfaction;
- Achieving a one-team model and approach, ensuring organisational design is based around the customer and using contractual levers to incentivise other areas of the council, CSG and partners to support the delivery of customer outcomes, for example Revenues & Benefits, IT, Re;
- Delivering some of the strategic aspirations in the contract, for example a customer insight-led service, customer advocacy across the service and learning and continuous improvement; and
- Digital challenge and service design – moving from a customer service operation based primarily on telephone and email contact towards a more self-service oriented operation, where transactions are conducted primarily through the web and interactive voice recognition (IVR) systems.

#### 1.109 Key performance and benchmarking information

The service is performing well against its main KPIs and, overall, there has been substantial improvement in customer satisfaction. Whilst the service did

not meet its target against KPI 10a in 2015/16, performance still represented an improvement against the previous year.

KPI	2013/14		2014/15		2015/16	
	Target	Outturn	Target	Outturn	Target	Outturn
KPI CSO 10a: GovMetric Customer Services <i>% customers rating services as good over phone, email, face to face and web</i>	65%	65.2%	70%	72%	80%	74% target not met
KPI CSO 12: Escalations per case outside SLA for customers needing additional support	N/A		1.5	3.30	1	4
KPI CSO 13a: Percentage of cases delivered on time for Parking and Assisted Travel	N/A		N/A		85%	93.2%
KPI CSO 13b: Percentage of cases delivered on time for customers needing additional support	N/A		N/A		100%	100%
Super KPI 35b: Resident Satisfaction - It is easy to access Council services	55%	70%	54%	66%	54.0%	70%
Super KPI 35a: Resident Satisfaction - staff are friendly and polite	78%	81%	78%	80%	78.0%	84%
Super KPI 35c: Resident Satisfaction - Responds quickly when asked for help	49%	50%	49%	50%	49.0%	56%

Service credits for failing to achieve KPI targets in Customer Services have been applied as follows:

Year	KPI	Service credit value
2014/15	KPI CSO 12a – Customer Advocacy – 80/20 call answering	£57,322
2015/16	KPI CSO 10a - GovMetric Customer Services	£18,905
	<b>Total</b>	<b>£76,227</b>

Of the 23 contractual commitments that relate to Customer Services, 16 have been delivered or are substantially complete. Five are in progress and two are not yet due for delivery.

#### 1.110 Key points from the call for evidence

The key points made about Customer Services by council managers and staff were:

- The work on My Account was highlighted as a particular area of high performance;
- It was considered that the Service needs greater awareness of the diversity of the council's customers, for example businesses, under 18s and residents with protected characteristics;
- Website and web forms need improvement to drive channel shift. Innovation in customer access would support this, for example the use of smartphone apps;
- The handover between day and out of hours call centres needs to be improved; and
- Within the specialist areas of Social Care Direct and Schools Admissions there are particular challenges around the lack of service expertise, incorrect advice or challenge given, staff turnover and the need for better links with the rest of the service.

One member of the public raised concerns about the fact that the IVR system on the council's switchboard number does not provide an option for connecting directly with an operator. This is because it uses voice recognition to direct customer calls, which is more efficient and saves the council money. If the voice recognition is not successful, customers are transferred to a member of staff. The IVR systems are constantly reviewed to ensure that they are directing calls appropriately and providing callers with the information they need.

Another member of the public highlighted concerns related to call answering times within particular service areas, providing graphs that suggested that the headline achievement of the target was masking poor performance within housing benefits, council tax and adults' social care, with high levels of calls being abandoned.

It is acknowledged that these services do have lower performance levels on call answering time than other services. This is primarily due to the longer call handling times that are associated with the more complex enquiries that are associated with these services. Staffing levels are generally flexed to reflect expected peaks and troughs in demand, but the complex nature of these services requires much more in-depth training than more straightforward services, so it is not always feasible to staff the operation to meet all of the peaks in demand.

In order to maximise efficiency, Customer Services is considering a number of further developments:

- Better utilisation of trained Revenue and Benefits officers in the Blackburn office during busier times;
- Upgrading technology to virtualise the council's contact centres, i.e. enable calls to be directed to different physical locations. This will mean there would be more resilience and ability to multi-skill a wider pool of people;
- Performance and operational improvements in Social Care Direct; and

- Further implementation of digital solutions, so that customers can more easily resolve their query using the website, rather than needing to rely on the telephone.

At a previous meeting, the Working Group had acknowledged that answering calls within 60 seconds was not the most effective measure of performance, as the ability of the call handler to resolve the caller's query was far more important to achieving customer satisfaction. The council measures customer satisfaction with call handling via the GovMetric measurement tool and associated KPI.

#### 1.111 Review outcomes

Alongside this Review, a substantial piece of work has also been taking place to develop a new Customer Access Strategy and associated Customer Transformation Programme, the outline business case for which was approved by the Policy and Resources Committee on 5<sup>th</sup> October 2016. The Working Group has acknowledged that future developments and service improvements in the customer services arena will be addressed through the implementation of that strategy and the associated programme, but has highlighted the following outcomes as being of particular concern:

- Drive joined up approach with delivery units to achieve improvements in web experience to minimise the cost of client interaction and improve customer satisfaction;
- Develop an excellent digital/self-service experience for customers; and
- Support the digitally excluded to access services.

The report to Policy and Resources Committee identified an investment requirement of £5.4m to deliver the Customer Transformation Programme and the Committee approved a capital allocation of £1.5m in 2016/17. The Programme will deliver significant improvements in the functionality and content of the website, enabling greater self-service for customers.

In addition, this Review has facilitated a move towards improved joint working between Customer Services and ICT and more joined up management of the two services. Improvements are also planned for the Service's Continual Service Improvement Plans, and the governance arrangements, to ensure that resources are focussed on priority areas.

Customer Services has also committed to strengthening its approach to user involvement in the changes and improvements being made to its services, through better use of co-design and customer feedback.

Within the dialogue sessions, there has been some discussion about the future direction of the Social Care Direct element of the service. Current demands on the service mean that it is being delivered with additional, temporary resources, which is not sustainable in the long term. The service is critical to reducing demand on the wider Adult Social Care service and further

work is required to develop a robust and sustainable delivery model that is aligned both to the delivery of the Customer Transformation Plan and to the direction of travel that is still to be determined through the work that is being done to develop an alternative delivery vehicle for the Adults service.

Members are asked to note the approach to delivering improvements in Customer Services. Key milestones for the implementation of the Customer Transformation Programme will be agreed as part of the implementation plan and progress against them reported to the Performance and Management Committee.

#### 1.112 Proposed changes to contractual arrangements

Various changes to KPIs and Performance Indicators have been agreed and implemented from April 2016. Key changes include the introduction of a KPI specifically to cover customer satisfaction with the web and increasing the target for customer satisfaction with phone calls, emails and face to face. Discussions are continuing regarding the performance indicator for calls answered within 60 seconds, to ensure an appropriate focus on query resolution.

### **Service outcomes – Revenues and Benefits**

#### 1.113 Summary of the service

The main functions of the Revenues and Benefits service are:

- Billing, collection and recovery (including preparatory work on any committal cases) of Council Tax;
- Billing, collection and recovery (including preparatory work on any committal cases) of Business Rates; and
- Assessment and award of Housing Benefit, Council Tax Support, residual Council Tax Benefit/Support, Local Assistance (Crisis Fund) and Discretionary Housing Payments.

The service is also responsible for:

- Completing and submitting Non Domestic Rates Returns, CTB1 returns and QRC returns;
- Recovery of Housing Benefit overpayments;
- Administering and organisation of Housing Benefit appeals; and
- Administering of benefit subsidies.

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

Annual cost (£000k)	Share of annual transformation spend (£000k)	Total annual cost (£000k)	LBB Baseline Cost Before Contract (£000k)	Reduction from baseline
3,510	26	3,536	5,566	37%

This represents 15% of the annual cost of service delivery under the contract.

#### 1.114 Achievements and challenges

The Revenues and Benefits service has been the subject of significant transformation activity since the contract began. The key achievements over the first three years of the contract have been:

- The successful transition of service delivery from the council to CSG;
- Service transformation and the move to increased self-service is well underway;
- There has been an increase of the in-year collection rate for business rates for three consecutive years;
- Good outturn in number of days to process benefit claims, with overall good performance against performance measures; and
- The Welfare Reform Task Force is a good example of partnership working with other areas of the council.

There remains further work to be done to complete the transformation of the service, including the move to more self-service, and the following particular challenges to achieving that have been identified:

- Insufficient level of, and ability to flex, resources has led to complaints around turnaround time for correspondence, though there is an improvement plan in place; and
- Streamlining the links between Customer Services and Revenues & Benefits, to ensure that more can be resolved at first contact, although integration between the services is improving.

#### 1.115 Key performance and benchmarking information

In broad terms, the service is performing well against its Key Performance Indicators (KPIs). The annual outturn for each of the Service's KPIs is shown in the following table:

KPI	2013/14		2014/15		2015/16	
	Target	Annual Outturn	Target	Annual Outturn	Target	Annual Outturn
<b>KPI RB 08 : Benefits claims processing - new claims</b> <i>The average time taken to process new claims for Housing Benefit (HB) and Council Tax Benefit (CTB). Speed of processing is the mean average processing time in calendar days, rounded to the nearest day</i>	12	6	9	8	9	8
<b>KPI RB 09 : Benefits claims processing - changes in circumstances</b> <i>The average time taken to process changes in circs for Housing Benefit (HB) and Council Tax Benefit (CTB). Speed of processing is the mean average processing time in calendar days, rounded to the nearest day</i>	6	5	6	5.56	6	4
<b>KPI RB 09a : Accuracy of benefit assessments</b> <i>Percentage of cases without critical errors (defined as those affecting payment amount or timing) following random sample checks. At present a minimum of 4% of cases are randomly checked, plus payments of &gt;£1600</i>	93%	94%	94%	96%	94%	95.40%

Although the Service has met its targets on an annual basis during each year of the contract, there were in-year failures to meet the target for KPI RB 09, speed of processing changes for benefit claimants, in 2014-15, which resulted in service credits totalling £38,521 being applied.

Of the 22 contractual commitments that relate to Revenues and Benefits, four have been delivered or are substantially complete, five are in the process of being delivered and 12 relate to ongoing activity. There is one contractual commitment that has not been delivered. This relates to the use of Insight in council tax collection. A plan will be agreed for achieving this.

The CIPFA benchmarking data shows that the Service is low cost relative to the benchmark group, across all elements of the Service. For Council Tax, collection rates and balance outstanding amounts are performing slightly worse than the average. For NNDR, collection rates are below average, although performance has been improving year on year since 2010 and that improvement has continued since the contract commenced.

### 1.116 Key points from the call for evidence

As the Service is more outward-facing than others that are covered by the contract, there were very few comments about it from council managers and staff. However, there was a general view that it is a very good transactional service, which has increased collection rates, although some concerns were expressed about CSG's ability to deliver a more strategic service in the context of business rates localisation.

Two comments were received from members of the public in respect of the Revenues and Benefits service. One of these related to the time taken to process a Council Tax refund, whilst the other related to the approach taken in respect of validating entitlement to Single Person Discount. Both comments were passed to the Service for consideration as part of the Review process.

In respect of the comment on the time taken to process a Council Tax refund, the issue of backlogs had been identified prior to the commencement of the Review and acknowledged as being one of the main challenges for the Service, as set out above. The progress that has been made on dealing with this is set out in the following section of this report.

In respect of the comments made about the approach to validating entitlement to Single Person Discount, it should be noted that, in 2015-16, this annual activity of conducting detailed checking and validation on a sample of residences where Single Person Discount is claimed resulted in an additional £860k of Council Tax being collected. However, it is acknowledged that this is a particularly sensitive area of activity that requires careful handling. To that end, training programmes are continually reviewed and updated as required. The CSG Quality Team is responsible for the advisor call monitoring and they also conduct risk monitoring, where particular behaviours are reacted to promptly. The service has a high customer satisfaction level, which is exceeding 80% for the telephony line, and does respond to individual customer feedback.

### 1.117 Review outcomes

Based on the evidence outlined above, three priority outcomes for the Revenues and Benefits service have been identified by the Member Working Group:

- a) Increase council tax collection rates, with an aspiration to be the best in London;
- b) Improve management of workload to reduce backlog at peak times; and
- c) Improve customer satisfaction through better integration of Customer Services and Revenues & Benefits and an improved web experience.

Part way during this Review, there was a change in senior management within CSG for this service. Whilst this has had the benefit of introducing some fresh



thinking into the service, it has resulted in proposals for achieving the desired outcomes not being as advanced as in other areas.

Council tax collection rates are relatively stable given the welfare reform change of reducing the maximum support from 100%, to 91.5% from 2013 and 80% from 2015, but are still slightly below average. Various means of increasing collection rates are being considered, but any significant improvement is dependent upon the implementation of the planned upgrade of Civica (the service's main ICT system), which will facilitate the introduction of more self-service for customers, making it easier for them to set up direct debit payments. Ultimate collection rates (the measure of the debt collected against the net due after 4 years) has exceeded the target for each of the last three years.

Significant effort has been applied to reducing the backlog within the service, through the implementation of a recovery plan. This has dealt with the outstanding issues and monitoring arrangements, through a new performance indicator, have been put in place to ensure the situation is managed effectively going forward.

This Review has proved to be a useful tool for improving the links between Revenues and Benefits and Customer Services. A Continual Service Improvement Plan for Revenues and Benefits has been developed by Customer Services and agreed with Revenues and Benefits management. Delivery of this will be monitored through regular meetings between the services' senior managers and council SROs. Improvements in the web experience will be achieved through the planned upgrade of the Civica system, together with the wider improvements that will be delivered through the Customer Transformation Programme.

A development roadmap is now being put together that will set out the key actions and milestones for improving the service over the next year.

Members are asked to note the improvements that have been, and continue to be, made in the delivery of the Revenues and Benefits service. Key milestones for the continued delivery of these improvements will be agreed as part of the implementation plan and progress against them reported to the Performance and Management Committee.

#### 1.118 Proposed changes to contractual arrangements

Discussions are continuing regarding potential changes to the methodology for calculating KPI 09a (accuracy of benefit assessments), with a view to improving SRO confidence in the validation process. Other proposed changes to Performance Indicators, for the purpose of driving improvements in processing speeds, will also be considered as part of the conclusion of these discussions.

It is proposed that the contractual commitment T3-043 regarding the use of Experian Mosaic be amended to exclude its application to increase NNDR

collection, as it has been determined that this tool is not relevant to businesses.

## **Service outcomes – Procurement**

### 1.119 Summary of the service

The Procurement service covers the following activities:

- Sourcing (corporate catalogues/framework agreements; market analysis; drafting and publishing of contract notices; supplier feasibility reviews);
- Ensuring compliance the Authority's contract rules as well as EU Regulations and UK Legislation;
- Providing procurement guidance and advice;
- Project managing procurements and leading renegotiations;
- Corporate contract management;
- Management of the contract database and contracts repository;
- Delivery of the sustainability agenda;
- Supplier and stakeholder relationship management; and
- Procurement training.

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

<b>Annual cost (£000k)</b>	<b>Share of annual transformation spend (£000k)</b>	<b>Total annual cost (£000k)</b>	<b>LBB Baseline Cost Before Contract (£000k)</b>	<b>Reduction from baseline</b>
825	11	836	1,045	20%

This represents 4% of the annual cost of service delivery under the contract.

### 1.120 Achievements and challenges

The key achievement of the Service has been that it is currently exceeding contractual guarantees in respect of delivering savings from procurement activity, as set out in the table below.

	<b>Aug-14</b>	<b>Aug-15</b>	<b>Aug-16</b>
<b>Contract Guarantee (cumulative) £000</b>	£1,040	£3,274	£4,774
<b>Actual/forecast (cumulative) £000</b>	£1,941	£3,978	£5,193

The following achievements have also been identified in respect of the Procurement service:

- There has been consistently high quality procurement expertise and support to the council, including on major projects such as SPA and Aggregated Procurement;
- There is continued good compliance with Contract Procedure Rules; and
- There is an increased focus on social value.

The Service is generally well-regarded and considered to be performing well, but there are still challenges for it, most notably:

- There is work to be done by both CSG and the council to improve the perception of savings gainshare (the mechanism through which savings are shared between the parties to the contract);
- There is scope for better integration with commissioners, particularly in providing supply and demand insight;
- Procurement currently have limited scope to influence contract and demand management; and
- There is potential to further increase compliance.

#### 1.121 Key performance and benchmarking information

The Service has performed consistently well against all of its KPIs. The annual outturn for each of the Service's KPIs is set out in the following table.

KPI	Target	2013/14	2014/15	2015/16
<b>KPI PR 20a: Contract compliance – New contracts over 25K</b>	100%	100%	100%	100%
<i>% of the value of new contracts over £25k awarded and managed in accordance with CPR's and procurement legislation</i>				
<b>KPI PR 20b: Contract compliance – Legacy contracts over 25K</b>	98.90%	99.87%	99.80%	100%
<i>% of the value of legacy contracts over £25k managed in accordance with CPR's and procurement legislation</i>				
<b>KPI PR 21: Effective contract management complex legacy contracts CPR's</b>	60.00%	N/A	100%	Pass
<i>All Complex/High Risk managed in accordance with Contract Procedure Rules (CPR's) and Code of Practice (Note: Complex/High Risk means legacy contracts over £250k and/or considered high risk. Process for determining high risk in relation to LBB to be developed and agreed prior to contract signature, but will be based on the standard Procurement 4 box model).</i>				
<b>KPI PR 22a London Procurement Pledge cumulative apprenticeships</b>	Varied	N/A	17 against target of 4 (Pass)	37 against target of 12 (Pass)
<i>No of apprenticeships through new procurement activity. No of apprenticeships within existing supply chain</i>				

<b>KPI PR 22b London Procurement Pledge cumulative work experience</b>	Varied	2 against target of 1 (Pass)	12 against target of 8 (Pass)	93 against target of 48 (Pass)
<i>No of work experience placements through new procurement activity. No of work experience opportunities within existing supply chain</i>				

There have been no service credits, or other performance remedies, applied to the Procurement service.

Of the 34 contractual commitments that relate to the Procurement service, 27 have been delivered, or are substantially complete. Six are not yet due for delivery. There is one commitment that has not been delivered within the required timescale. This relates to the facilitation of Local Business Development Boards of local suppliers. Discussions are taking place to clarify the most appropriate means of achieving this, in tandem with the council's commissioning strategies.

#### 1.122 Key points from the call for evidence

The key points made about the Procurement service by council service managers and staff were:

- Some service areas have benefited from the flexible approach and helpful challenge provided by Procurement, though others would like improvements in these areas. For example, some service areas were concerned by the lack of flexibility from Procurement in interpreting the Contract Procedure Rules and others requested more strategic procurement advice;
- Staff in CSG Procurement are helpful and engaged, although sometimes different members of staff give inconsistent advice;
- More proactivity needed from Procurement to join up procurement activity across the organisation;
- Concerns were raised about gainshare arrangements and a perception that there is potential for Procurement to benefit from gainshare, even where the service feels that it undertakes the majority of procurement activity; and
- There is also a concern that the prospect of gainshare may influence the advice that Procurement gives to service areas.

There were no comments from members of the public on the Procurement service, which is primarily an internal support service.

#### 1.123 Review outcomes

Based on the evidence outlined above, five priority outcomes for the Procurement service were identified by the Member Working Group:

- Enhanced service offer on contract management;

- Achieving additional savings through increasing the remit of the service to cover areas of spend over which it currently has no influence;
- Driving increased compliance;
- Revised arrangements for dealing with gainshare; and
- Revised arrangements for managing the third party highways contractor under the Re contract.

Draft proposals have been developed in respect of contract management and compliance, but further work is required to confirm the commercial implications of these and secure the necessary support within the council.

Detailed work on a proposal to extend the remit of the service is continuing. As this is likely to generate additional savings, more information on this proposal is set out in paragraph 1.71 of this report.

A proposal for managing and accounting for gainshare corporately has been developed. The implications of this will require further consideration as part of the council's budget setting process.

Management of the highways contractor has now been taken on board by the service.

Key milestones for finalising proposals will be agreed and progress against them reported to the Performance and Management Committee.

#### 1.124 Proposed changes to contractual arrangements

The KPIs for Procurement are considered to be appropriate and no changes are proposed.

### **Service outcomes – Estates**

#### 1.125 Summary of the service

The Estates service is contracted to act as a strategic enabler for the delivery of property and facilities management services, including:

- Property Services, covering:
  - Commercial estate management, management of leases granted to the council and landlord and tenant services;
  - Compulsory purchase order and planning applications;
  - Valuations and rating advice; and
  - Acquisitions and disposals.
- Building Services, covering planned, preventative and emergency maintenance, statutory testing and inspection, building surveying and adaptations, energy and utilities, cemeteries and war memorials;
- Facilities management, including management of building custodians, cleaning and security; and

- Document production and mail room

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

Annual cost (£000k)	Share of annual transformation spend (£000k)	Total annual cost (£000k)	LBB Baseline Cost Before Contract (£000k)	Reduction from baseline
4,442	246	4,688	4,735	6%

This represents 19% of the annual cost of service delivery under the contract.

### 1.126 Achievements and challenges

The following key achievements have been identified for the Estates service:

- The contract has helped the council to better prioritise the Estates service and develop its understanding of strategic estates objectives through a strategic asset management plan delivered in the first twelve months;
- The ability of CSG Estates to lever in additional resource through the contract, for example Locality Strategy and Property and Building Services;
- The Service has successfully provided a strategic business case to save the council £38m and has delivered the office rationalisation strategy which underpinned these savings; and
- The Service negotiated a rebate of £600k from third party suppliers for the poor condition surveys provided prior to transfer.

The main challenges for the Service have been:

- Lack of clarity in the contract that CSG Estates are responsible for all assets owned or leased-in by the council;
- Lack of proactivity in strategic areas and income generation opportunities, for example corporate landlord, horizon scanning for funding opportunities, strategies driven from client side;
- Inconsistent leadership and lack of coherence in how Capita are managing the team with Building Services and Property Services not working together;
- KPIs are unwieldy and need tidying up – the way they are currently measured and baselined is difficult; and
- There are perceived challenges around how CSG and Re work together.

### 1.127 Key performance and benchmarking information

The Service has generally performed well against its KPIs. The annual outturn for each of the Service's KPIs is set out in the following table.

KPI	2013/14		2014/15		2015/16	
	Target	Outturn	Target	Outturn	Target	Outturn
<b>KPI ES 24a : Property Performance - Civic Estate Condition</b>	Pass	Pass	Pass	Pass	Pass	Pass
<i>This KPI measures the condition of the Council's Civic Estate (only where the Authority has tenant's responsibilities for NLBP 2&amp;4) property portfolio in accordance with a set of agreed indicators (i.e. RICS).</i>						
<b>KPI ES 24b : Building Statutory Compliance</b>	Pass	Fail	Pass	Pass	Pass	Pass
<i>KPI to measure % of buildings that meet statutory legislation with respect to 5 key statutory compliance test areas (Asbestos, Gas, Electricity, Water and Fire).</i>						
<b>KPI ES 25 : Facilities Management Incident Resolution</b>	100%	100%	100%	100%	100%	100%
<i>KPI to measure performance against the timescales agreed to resolve FM calls logged by customers</i>						
<b>KPI ES 28 : Occupancy and Utilisation</b>	N/A		Pass	Pass	Pass	Pass
<i>KPI to record occupancy and utilisation indicators in respect of the Civic Estate property portfolio: NLBP 2 &amp; 4; Barnet House; Mill Hill depot; Hendon Town Hall; Colinhurst (note - Friary House not included as rented out to non-service area). This indicator reports on the total number of office floor space measured in square metres occupied each service area within the stated buildings of the Civic Estate</i>						

No service credits have been applied for failure to meet targets on service delivery KPIs.

There are 41 contractual commitments in respect of the Estates service. 20 of these have been delivered, or are substantially complete. 15 are in progress, the most notable of which relate to the Colindale development. There are three commitments that have not been delivered within the required timescale, including the development of a Corporate Landlord Model. There are also three contractual commitments that are not yet due for delivery.

CIPFA benchmarking information shows that total property costs (including all occupancy, operational and management costs) per square metre of gross

internal area for the entire Barnet-owned property estate are below average, compared to other councils in the benchmarking group. The cost of the Estates Management service, a subset of total property costs, is also below average and in the lower quartile. However, both total property costs and the costs of the Estates Management service per square metre of gross internal area in the council's administrative buildings are within the top (most expensive) quartile compared to other councils in the benchmarking group. It is considered that this is in large part due to the costs associated with leasing North London Business Park, which is driving the strategy to build Colindale, rather than continue to rent expensive office space.

#### 1.128 Key points from the call for evidence

The main points made by council managers and staff with respect to the Estates service were:

- Particular personnel are highly regarded, for example members of the Estates maintenance team;
- There is considered to be a high turnover of staff in the Service;
- Some contractors are poor quality and lack local knowledge, which is a key risk given the corporate priority of growth and regeneration and where Estates is public facing, for example when working with schools;
- The quality of some pieces of work is not fit for purpose and lack of service expertise is an issue;
- There have been significant delays in project delivery, including key projects such as the Locality Strategy; and
- There are challenges with clienting arrangements, where CSG are also clients of Capita, for example on the Schools Capital Programme. More assurance and transparency is needed to ensure that value for money is being delivered.

There were no comments from members of the public on the Estates service, which is primarily an internal support service.

#### 1.129 Review outcomes

Based on the evidence outlined above, four priority outcomes for the Estates service were identified by the Member Working Group:

- Install effective and competent leadership and capacity;
- Develop an agreed annual workplan;
- Develop a corporate landlord model to deliver savings on running costs and income generation from specific development opportunities, such as empty properties, acquisitions and disposals; and
- Develop a strategy for reducing spending on print.

Since this Review began, there have been significant changes in the leadership of the Service. A revised structure has been agreed with the SRO



and population of that structure is nearing completion. This includes plans to establish a pan-service project management office to improve the coordination and delivery of planned activity. Additional resources have been brought in to deal with backlog works and case management. It is now considered that resource level is appropriate in Property Services. However, it would be appropriate to review the impact of changes that have been made in due course.

A draft template for the annual workplan has been developed and work is progressing on populating it, in conjunction with the SRO. The completed workplan for 2017/18 will be presented to the Assets and Capital Board in due course. Closely linked to this, work has also been progressing on reviewing and re-drafting the Strategic Asset Management Plan.

An outline proposal has been developed for implementing a corporate landlord model. Work is now taking place to develop the proposal further, through a feasibility study that will inform the development of a strategic outline case, which will be considered by senior officers in due course.

A firm proposal on achieving print volume reduction is nearing completion, although it is acknowledged that significant progress on this will be dependent on the opportunities to change business practices that are afforded by the move to Colindale.

Members are asked to note the improvements that have been, and continue to be, made in the delivery of the Estates service. Key milestones for the delivery of further improvements will be agreed as part of the implementation plan and progress against them reported to the Performance and Management Committee.

#### 1.130 Proposed changes to contractual arrangements

There are some quite substantive changes proposed to the targets and measurement of the existing KPIs. These will be reviewed, negotiated and amended alongside the development of the annual workplan for 2017/18, in order to ensure that they drive delivery of that workplan and secure continual improvement over the remainder of the contract.

### **Service outcomes – Safety, Health and Welfare**

#### 1.131 Summary of the service

Contractually, the Safety, Health and Welfare service sits within the HR service. However, although it is relatively small in scale, the Service is considered to be important in its own right and has a designated SRO within the council. It has, therefore, been considered separately within this Review.

The Service covers:

- Professional advice and support;
- Monitoring of internal and external Delivery Units' health and safety compliance and health and safety performance;
- Monitoring of contractor health and safety performance;
- Occupational Health provision and health promotion;
- Employee assistance – counselling, medication, trauma response and conflict resolution and wellbeing promotion;
- Accident and incident investigation;
- Providing and managing the council's health and safety e-learning and accident/incident reporting systems; and
- Provision of training.

The following table provides an indication of the current cost of the service and compares this to the cost of the service prior to the commencement of the contract.

<b>Annual cost (£000k)</b>	<b>Share of annual transformation spend (£000k)</b>	<b>Total annual cost (£000k)</b>	<b>LBB Baseline Cost Before Contract (£000k)</b>	<b>Increase from baseline</b>
195	3	198	169	15%

This represents 1% of the annual cost of service delivery under the contract. It is the only service covered by the contract where the cost of delivery has increased from before the contract, due to greater investment in the provision of the service.

### 1.132 Achievements and challenges

The key achievements for the Service have been identified as:

- The introduction of a web-based health and safety management system, which has led to an increase in reporting and investigation activity;
- The introduction of a more consistent health and safety learning system, including e-learning and training;
- A move to a more robust occupational health provider, with improved referral process and reports; and
- Overall, the service runs well and is highly regarded.

The main challenges for the Service have been:

- The council is monitoring the delivery of the Service, due to concerns over turnover of staff at the Southampton Centre of Excellence, from which most of the service is delivered, although handover processes have improved;

- There have been potential conflicts of interest in investigations, where incidents involve other areas of CSG or Capita;
- Audit and monitoring requirements are no longer relevant, given changes within the council;
- The quality of information and communication platforms (council website and intranet) make it difficult for the service to engage with managers and staff; and
- Within the council there is a lack of consequences for non-compliance, both for health and safety and other areas of business compliance.

#### 1.133 Key performance and benchmarking information

There are no KPIs for the Safety, Health and Welfare service, but performance against the Service's performance indicators is generally good.

#### 1.134 Key points from the call for evidence

There were no specific comments on the Safety, Health and Welfare service, either from service managers and staff, or from the public.

#### 1.135 Review outcomes

The following priority outcomes were identified for the Safety, Health and Welfare service by the Working Group:

- Develop a more integrated approach and systems for operational health and safety risk management and corporate risk management; and
- Increase (and evidence) impact on work-related incidents of ill-health.

Investigations into the procurement of a new system to support a more integrated approach are under way and are likely to result in the production of an outline business case for consideration in due course. This will require consultation and coordination with other teams that are involved in the broader aspects of risk management.

The approach to increasing (and evidencing) the impact on work-related ill-health will be driven through changes to the output specification and method statement, work on which is progressing well and may lead to changes in the mode of operation.

Members are asked to note the approach to developing the Safety, Health and Welfare service. Key milestones for the delivery of these developments will be agreed as part of the implementation plan and progress against them reported to the Performance and Management Committee.

#### 1.136 Proposed changes to contractual arrangements

The current suite of performance indicators is considered to be appropriate for the Service. As indicated above, changes to the output specification and method statements are in the process of being negotiated.

### **Service outcomes – Corporate Programmes**

#### 1.137 Summary of the service

The Corporate Programmes service provides the following project and programme management services:

- Project management function – delivery of capital and transformation projects, where commissioned to an agreed methodology, meeting the council's objectives within agreed time, budget and quality constraints;
- Ensure availability of project resources and project management skills to meet the needs of project;
- Act as the client on major construction projects;
- Coordinate procurement process and drafting and agreement of contracts with commercial partners involved in delivering project outputs (including the council's primary school construction partner) and manage these contracts;
- Programme reporting. Drafting of reports and documentation required for various stages of project approval; and
- Risk management across the project portfolio, budget monitoring, profiling and reporting.

The arrangements for funding the Corporate Programmes service are different from other services and vary from year to year, depending on the level of project activity required by the council. Details on the cost of the Service are set out in the Project Spend Briefing paper, which is attached as Appendix C.

#### 1.138 Achievements and challenges

The main achievements of the Service have been identified as:

- Delivery of a number of complex and impactful programmes, including additional school places and progress on other major schemes including Sport and Physical Activity (leisure centres);
- CSG have built a strong, trusted and highly regarded Programmes function at a cost to the council that is substantially below the contractual rate card;
- Corporate Programmes has a good track record of delivering success and achieving savings for Barnet (including savings within schemes and budget savings); and
- There have been innovative approaches to securing value, including through working across CSG service groups, for example Aggregated Procurement.

The main challenges for the Service have been:

- The quality and depth of key suppliers, particularly in ICT, which needs organisational attention from both CSG and the council;
- Its ability to recruit additional project resources quickly, to meet unanticipated demand; and
- How the council continues to demonstrate value for money from its project-related spend with Capita.

#### 1.139 Key performance and benchmarking information

Performance of the Service is managed on a project-by-project basis, so it is not covered by the KPI and service credit regime. Payments are linked to project milestones as standard, to ensure that payment is only made following satisfactory completion of key stages within a project.

Of the 13 commitments that relate to Corporate Programmes, 12 have been delivered. The one commitment that has not yet been delivered relates to maximising the capacity and capability of the Corporate Programme and Transformation teams to undertake external project sales and delivery activity for third parties.

#### 1.140 Key points from the call for evidence

The main points made by service managers and staff on the Corporate Programmes service were:

- Many service areas considered that they have benefited from good quality project managers, although some have said that the quality of project managers and officers does vary;
- The CSG project pool is a good resource. However, these resources do need to be shared evenly across the council's transformation and capital programme requirements and not assigned solely to a single service area;
- There are significant concerns around high costs and day rates;
- There are some instances of project scope creep; and
- There are some perceived issues around accountability and transparency, with some concerns expressed about whether CSG project managers are accountable to Capita or to the council, especially where there are issues in a project related to services delivered by Capita.

There were no comments from members of the public on the Corporate Programmes service, which is primarily an internal support service.

#### 1.141 Review outcomes

Based on the evidence outlined above, three priority outcomes for the Corporate Programmes service have been identified by the Member Working Group:

- Demonstrate value from project support spend;
- Increase scope to include areas not currently delivered through programmes team; and
- Improve arrangements for commissioning project support.

At its meeting on 4<sup>th</sup> August 2016, the Working Group considered a detailed paper, setting out the arrangements for securing value for money from project support expenditure. The paper provided a comparison of the cost of current arrangements for supporting capital and transformation projects against both market rates and the “rate card” rates provided for within the contract. It demonstrated that the council is paying significantly less for project support services than it would through the open market, or through contracted rates. Rates will continue to be benchmarked and subjected to independent assurance, to ensure that the council continues to secure value for money on this discretionary expenditure. The paper is attached as Appendix C and it is recommended that Members note its content.

A key area for concern in respect of project delivery has been ICT. In view of the success of the approach on capital and transformation projects, both in respect of value for money and the consistency and quality of support, proposals have been developed to establish two dedicated project support teams for ICT projects. As this will generate additional savings, the details of the proposal are set out in paragraph 1.70 of this report.

In respect of the final outcome for the Corporate Programmes service, the internal process for approving requests for “special projects” has been strengthened to ensure that only genuine projects are commissioned through the process and that small-scale works that do not constitute projects are dealt with through the purchase order process.

#### 1.142 Proposed changes to contractual arrangements

No changes are proposed to the existing contractual arrangements. The establishment of dedicated ICT project support teams will be actioned through existing resource allocation processes.

### **Service outcomes – Insight**

#### 1.143 Summary of the service

The Insight service delivers high quality, detailed data analysis products, which inform future policy and service configuration decisions across the

range of services provided by the council. The Service enables the council to target resources effectively and make service decisions that are informed by evidence of what will work.

Strong insight is also essential to the delivery of effective demand management interventions and the Insight Team's work will sit at the heart of the development and successful delivery of the council's emerging Demand Management Framework.

In addition to producing bespoke insight reports, the Insight Team is also responsible for the production of both the Members' Dashboard and the Customer Experience Report.

The CSG contract established the Insight Team at four FTEs and originally envisaged that this resource would drop to two FTEs in September 2015 and to one FTE in 2018; with at least the equivalent resource being embedded in directorates across the council in order to embed the total insight capability. However, the council has recognised a number of benefits to maintaining a central service as a centre of excellence for the council, rather than dissipating capacity across the organisation, and has therefore chosen to maintain the capacity of the team at four FTE until the end of December 2016. Further consideration is now being given to the future shape and size of the Insight team and the opportunities that may exist for a more commercial model.

#### 1.144 Achievements and challenges

The work of the Insight Service is fundamental to allowing the Council to make the informed decisions required to effectively redesign local services and to ensure its principles of fairness, responsibility and opportunity are reflected in all that the council does.

Over the past three years, the Insight Team has delivered a range of products which have informed policy and service decisions across the breadth of council services, underpinning the delivery of all four Corporate Plan priorities. For example:

- The development of the social isolation index enabled the council to target resources and interventions at neighbourhood level and to better understand community resources and capacity, helping those vulnerable people most in need, and ensuring scarce public resources are targeted effectively to help build *resilient communities*;
- An analysis of green waste collection, which identified a minimum £110,000 in savings which could be realised through *service transformation* by optimising collection routes and staffing allocations without impacting service quality;
- Analysis of the demographics behind who in the borough fosters, at what life stage, and what motivates them enabled the council to target foster carer recruitment far more precisely, driving a 300% increase in enquiries

- about becoming foster carers, thus *managing demand* for expensive services such as out-of-borough placements; and
- Analysis of business births and deaths has identified the highest performing business sectors, quantified the positive impact that regeneration areas have on net business growth (15% higher than the Barnet average) and demonstrated that current non-domestic rates are not a significant factor in business success or failure; informing the council's approach to *responsible growth and regeneration*.

#### 1.145 Key performance and benchmarking information

There are no KPIs relating to the Insight service, as each assignment is managed as a discrete piece of work. The Service has successfully delivered against eight of its nine contractual commitments. The ninth commitment, which is in the process of being delivered, relates to the creation of a Leadership panel. This will be taken forward through the Innovation Lab.

#### 1.146 Key points from the call for evidence

Commissioning and Delivery Unit Directors highlighted the work of the Insight team as being a particular area of high performance. However, it was also considered that the Insight Team has low capacity and the council would benefit from a broader commissioning, rather than customer services, focus and by embedding Insight into more of what the council does and delivering to the original vision and system wide commitments.

There were no comments from members of the public on the Insight service, which is primarily an internal support service.

#### 1.147 Review outcomes

Based on the evidence outlined above, two priority outcomes for the Insight service have been identified by the Member Working Group:

- An agreed strategy for maximising the benefits of Insight; and
- An agreed strategy for the future use of Innovation Lab.

The Service is commissioned through the councils Strategic Commissioning Board (SCB). A work plan for 2017 is currently in development for discussion with service areas and agreement through SCB. The programme is based around key MTFs savings commitments, which it will play a key role in enabling. It will be structured against the emerging Demand Management Framework, which the Insight service will also be key in delivering.

Given the fundamental role that insight can and should play in the delivery of savings, the management of demand and the redesign of local services, consideration is being given to maintaining a central Insight service, at current



staffing levels. A proposal to that effect is being developed and is being considered by the relevant officers. This also covers the further development of the Innovation Lab.

In commissioning insight work, SCB will also be asked to prioritise those projects relating to a service or areas where a key decision or change is required, which insight would inform – thus ensuring that insight is never commissioned purely because the subject is interesting, but always because there is a key decision which should be informed by insight analysis. SCB will also be encouraged to track outcomes against commissioned Insight work.

#### 1.148 Proposed changes to contractual arrangements

Any changes that are required to contractual arrangements for the Insight service will be identified through the consideration of the detailed proposals in respect of the Service.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 A key element of effective financial management is to plan ahead to ensure the council is well placed to meet future challenges. Implementing the changes and service improvements that have been identified as a result of this Review will ensure that the CSG contract continues to deliver savings and is aligned to the council's future strategic objectives.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Key milestones for the delivery of the outcomes of the Review will be collated into an implementation plan, progress against which will be reported to the Performance and Contract Management Committee. It is anticipated that the implementation plan will be agreed by December 2016. Work is also continuing to conclude detailed negotiations in relation to changes to KPIs and other contract amendments. It is anticipated that this work will be completed by the end of the financial year.

## **5. IMPLICATIONS OF DECISION**

### **Corporate Priorities and Performance**

- 5.1 The council's corporate plan for 2015-20 sets the vision and strategy for the next five years based on the core principles of **fairness**, **responsibility** and **opportunity**, to make sure Barnet is a place:

- Of opportunity, where people can further their quality of life;
- Where people are helped to help themselves, recognising that prevention is better than cure;
- Where responsibility is shared, fairly;
- Where services are delivered efficiently to get value for money for the taxpayer.

### **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2 The CSG contract, including managed budgets, has a value of £321m over the life of the contract. The contract is to deliver savings of approximately £70m over a ten year period on the core services that transferred. £13m of this has been delivered, as at the end of 2015/16. Details of savings proposals arising from the Review are set out in the body of the report and will be incorporated, as appropriate, in future budget reports to the Policy and Resources Committee and full Council.

### **Social Value**

- 5.3 As a result of the Review, it has been confirmed that the achievement of social value through the activities of the CSG Procurement service remains a high priority, with no changes to KPIs in respect of social value being proposed.

### **Legal and Constitutional References**

- 5.4 The Council's Constitution, in Part 15 Annex A, Responsibility for Functions, states the functions of the Performance and Contract Management Committee include (amongst other responsibilities):

- Overall responsibility for quarterly budget monitoring, including monitoring trading position and financial strategy of Council Delivery Units.
- Monitoring of Performance against targets by Delivery Units and Support Groups including Customer and Support Group; Re; the Barnet Group (Including Barnet Homes and Your Choice Barnet); HB Public Law; NSL (Parking Contractor); Adults and Communities; Family Services; Education and Skills; Streetscene; Public Health; Commissioning Group; and Assurance.
- Receive and Scrutinise contract variations and change requests in respect of external delivery units.
- To make recommendations to Policy and Resources and Theme Committees on relevant policy and commissioning implications arising from the scrutiny of performance of Delivery Units and External Providers.
- Specific responsibility for the following function within the Council:
  - Risk Management
  - Treasury Management Performance
- Note the Annual Report of the Barnet Group Ltd.

- 5.5 Regulation 72 (1) of the Public Contracts Regulations 2015 says that "Contracts...may be modified without a new procurement procedure:

- Where the modifications, irrespective of their monetary value, have been provided for in the initial procurement documents in clear, precise and unequivocal review clauses, which may include price revision clauses or options, provided that such clauses:

- (i) State the scope and nature of possible modifications or options as well as the conditions under which they may be used; and
- (ii) Do not provide for modifications or options that would alter the overall nature of the contract...’

5.6 Clause 10.3 of the CSG contract expressly provides for this year three outcome review and expressly allows for modification to the contract resulting from that review. Therefore, any agreed changes to the contract will not breach the Public Contract Regulations 2015 as long as the changes do not alter the overall nature of the contract.

5.7 The contract changes agreed will need to be documented in a Deed of Variation or similar legal form to ensure that they are legally binding on both parties.

### **Risk Management**

5.8 The council has taken steps to improve its risk management processes by integrating the management of financial and other risks facing the organisation.

5.9 The council’s future savings proposals as set out in its Business Planning report require a fundamental change in the way the council’s services are delivered. Ensuring the contract with CSG remains aligned to the priorities of the council will ensure that key services like Human Resources continue to support staff within the organisation in achieving this.

### **Equalities and Diversity**

5.10 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups.

5.11 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex and sexual orientation.

5.12 In order to assist in meeting the duty the Council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.
- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet’s diverse communities by engaging with them.

This is also what we expect of our partners.

5.13 This is set out in the Council’s Equalities Policy together with our strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with

understanding and respect; have equal opportunities and receive quality services provided to best value principles.

- 5.14 The equalities implications of proposals have been considered as part of the Review process and no specific implications have been identified in relation to the proposals outlined in this report. It should be noted that the Customer Access Strategy and Customer Transformation Programme have been the subject of detailed equalities impact assessments, the outcomes of which have previously been reported to the Policy and Resources Committee.

### **Consultation and Engagement**

- 5.15 Consultation and engagement has taken place as set out in paragraph xxx of this report. The outcomes of that consultation and engagement are set out in the relevant service outcomes sections of the report.

### **Insight**

- 5.16 CIPFA benchmarking data has been considered as part of the Review.

## **6. BACKGROUND PAPERS**

- 6.1 Evidence pack containing a report on the outcomes of internal interviews and the slide packs on service overviews and service performance assessments, as referenced in paragraphs 1.26, 1.27, 1.31 and 1.34 of the report.  
<https://barnet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13790&path=0>
- 6.2 Performance and Contract Management Committee, 6 September 2016 – Agenda Item 13 – Year Three Review of Customer and Support Group (CSG) Contract.  
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=8795>
- 6.3 Performance and Contract Management Committee, 31 May 2016 – Agenda Item 13 – Year Three Review of Customer and Support Group (CSG) Contract.  
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=8412&Ver=4>
- 6.4 Performance and Contract Management Committee, 7 January 2016 – Agenda Item 10 – Fundamental Review of Customer and Support Group (CSG) Contract.  
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=8407&Ver=4>
- 6.5 Approval of NSCSO full business case:  
<http://barnet.moderngov.co.uk/documents/s6649/NSCSO.pdf>