

Meeting	Cabinet
Date	6 December 2012
Subject	New Support & Customer Service Organisation: Recommendation for Preferred and Reserved Bidder and Full Business Case
Report of	Deputy Leader of the Council / Cabinet Member for Resources and Performance Cabinet Member for Customer Access and Partnerships
Summary	Appendices A, B and C provide the Cabinet with the Full Business Case for the New Support and Customer Services Organisation (NSCSO) along with the Equalities Impact Assessment and List of Principal Legislation affecting the NSCSO services
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Status (public or exempt)	Public (with separate exempt report)
Wards Affected	All
Key Decision	Yes
Reason for urgency / exemption from call-in	N/A
Function of	Executive
Enclosures	Appendix A – Full Business Case Appendix B – Equalities Impact Assessment Appendix C – List of Principal Legislation Appendix D – Evaluation Scores (exempt)
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1. RECOMMENDATIONS

- 1.1 That Cabinet note the outcome of the evaluation stage of the New Support and Customer Services Organisation (NSCSO) Project and recommend to accept Capita's Final Tender as the preferred bid, with reference to the Full Business Case (Appendix A), Equalities Impact Assessment (Appendix B), List of Principal Legislation (Appendix C), and Evaluation Scores (Appendix D - exempt).**
- 1.2 That Cabinet approve the recommended reserve bid.**
- 1.3 That Cabinet delegate contract completion and signature (and ancillary documentation) finalisation and execution to the Section 151 Officer and in the event of his absence, the Deputising Section 151 Officer.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee 28 February 2012 (Decision Item 6) – Resolved that:**
 - (1) Cabinet Resources Committee approves the recommended New Support and Customer Services Organisation (NSCSO) shortlist of two bidders for stage 2 of the competitive dialogue process.
 - (2) The recommended shortlist is: BT and Capita. They achieved the highest two scores from the evaluation of the outline solutions provided at the end of the first stage of competitive dialogue.
 - (3) The Committee note the update to the New Support and Customer Services Organisation business case.
- 2.2 Cabinet Resources Committee 29 June 2011 (Decision Item 7) – Resolved that**
 - (1) The committee approves the New Support and Customer Services Business Case in order that the Council can begin the competitive dialogue process, following the previously approved placing of the OJEU notice.
 - (2) The authority to award contract remains with the Cabinet Resources Committee.
 - (3) The committee give due regard to the statutory equality duties under the Equality Act 2010 and the outcomes of the equality impact assessments referred to in this report.
- 2.3 Cabinet Resources Committee, 2 March 2011 (Decision item 9) Customer Services Organisation and New Support Organisation: Options Appraisal – Resolved that:**
 - (1) The Director of Commercial Services be authorised to produce a business case for the following:
 - a. the procurement of a private sector partner(s) to deliver the following services – Customer Services, Estates, Finance, Human Resources, Information Systems, Procurement, Revenues and Benefits.
 - b. the interim transformation (prior to transfer to a private sector partner) of the following services – Customer Services, Information Systems
 - c. change and service improvement of the following services – Estates, Procurement

d. the options and recommendations for the in-house transformation of Legal Services.

(2) The details of business case (1)a be referred to and considered by a future meeting of Cabinet Resources Committee.

(3) The Director of Commercial Services be authorised to initiate the procurement of a private sector partner(s) to deliver the following services: Customer Services, Estates, Finance, Human Resources, Information Systems, Procurement, Revenues and Benefits.

(4) This procurement process will only proceed into the dialogue phase once the business case identified in (1)a above be approved by Cabinet Resources Committee.

2.4 Cabinet, 29 November 2010 (Decision item 6) – Resolved that:

1. The One Barnet Programme Framework is approved
2. The funding strategy for One Barnet implementation costs, as set out in paragraph 6 of the Cabinet Member's report, is approved.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The NSCSO project and Capita's Final Tender will make a significant contribution to the Council's corporate priorities, delivering:

- *Better services with less money* through contracting for guaranteed standards and levels across all NSCSO services, whilst at the same time reducing the operating cost of these services by at least 45% in real terms over the period of the partnership, saving the Council £125.4 million in the period 2013 to 2024, and enabling the Council to meet the requirements of the current Medium Term Financial Strategy and the forthcoming additional savings anticipated as part of the next spending round. This money would otherwise have needed to be found from frontline service budgets;
- *Sharing opportunities and responsibilities* by significantly enhancing the ability of customers to access and engage with the Council and receive the support they need, whilst also giving them greater control through self-service and self-help, and opportunities to co-design services with the partner;
- *A successful London suburb* through an enhanced insight function which will help the Council analyse the needs of the Borough and its communities in more detail and commission services that are targeted to specific needs; commitments to increase resident satisfaction; and support for local businesses and community organisations.

3.2 The corporate change programme has three overarching aims:

- A new relationship with citizens
- A one public sector approach
- A relentless drive for efficiency

3.3 The benefits committed by Capita that contribute to these aims are described in section 4 of the Full Business Case (Appendix A).

4. RISK MANAGEMENT ISSUES

- 4.1 Severe resource constraint represents the most significant risk to the Council achieving its strategic objectives. The NSCSO Full Business Case demonstrates that by proceeding to contract signature with the Preferred Bidder the Council will secure the savings it needs to meet the demands of the current MTFs and those of the additional cuts expected to be confirmed later this year, whilst achieving significant operational and strategic benefits.
- 4.2 The risks associated with proceeding to contract signature, along with the contractual protections and other mitigations, are fully documented within section 5 of the Business Case, but are also listed in summary here:

	Risk	Mitigations in place
Financing	Insolvency	Contractual protection – termination and financial distress clauses
	Change in ownership	Contractual protection – change in ownership and control clauses
	Inability to source investment capital	Contractual protection - financial distress clauses and Parent Company Guarantee (PCG)
	Over-dependency on procurement savings	Contractual guarantee of 18% savings on core services that exceed the Outline Business Case target
Financial Probity	Lack of transparency in partnership finances	Contractual protection – audit access clauses, open book accounting and financial model
	Uncertainty over what is in or outside the core price and being charged extra	Contractual protection – detailed peer-reviewed service specifications and reprioritisation clause
	Weak commercial terms for additionally commissioned projects (e.g. guarantees and gainshare)	Contractual protection via schedule 15, the Special Projects Approval Procedure; governance clauses and commercial and subject matter expertise with the Council's Commissioning Group
	Unilateral exploitation of intellectual property by partner	Contractual protection – Intellectual Property Rights (IPR) clauses
Ongoing value for money of core service	Inflexible design that does not respond to future customer needs	Contractual protection – change clauses, annual and major service reviews; customer satisfaction Key Performance Indicators (KPIs) and Performance indicators (PIs)
	Inadequate technology refresh capability/ resource	Contractual protection – service performance targets drive appropriate investment throughout life of contract
	Change in Council priorities/policies	Contractual protection - change clauses, annual reviews, year 3 and 6 outcome reviews, policy update clauses
	Inability to reduce annual charge to meet further budget	Contractual protection - budgetary change clause and the volumetrics in the payment mechanism

	reduction demands	
Core Service Performance/ Availability	Inadequate specification	All service specifications have been peer reviewed by internal and external subject matter experts and dialogued extensively
	Inadequate design and/or methods	Capita's service redesign proposals, transition and transformation plans were tested through detailed dialogue and reviewed in detail by the Council's evaluation team
	Inadequate resourcing	Capita's investment plans, staffing proposals, transformation inputs and ongoing resourcing are all detailed in the financial model and were reviewed in detail by the Council's evaluation team
Resilience	Force majeure event	Contractual protection – Capita obligated to mitigate
	Inadequate business continuity arrangements	Contractual protection - KPIs; business continuity clauses
	Inadequate transition arrangements	Outline transition plan prepared by Capita as part of Final Tender. Detailed joint plan to be prepared between Council and Preferred Bidder upon appointment
	Inadequate exit arrangements	Contractual protection through detailed termination clauses and requirement for an exit plan which is regularly reviewed/updated
Volumes/ change in demand	Increase in demand as a result of demographic changes	Contractual protection through volumetric provisions and tolerances, reprioritisation clauses. Shared Service approach offers a more scalable solution
	Unplanned redirection or generation of demand on NSCSO from other delivery partners	A mechanism will need to be established by the Commissioning Group that enable interdependencies between partners to be managed effectively
	Increase in failure demand	Contractual protection through customer satisfaction and first contact resolution KPI targets, wide range of customer service PIs, and ability to audit service performance data
Commissioned Projects	Inadequate design	Insight capability available to Council and partner will enable more evidence-based business cases
	Inadequate commissioning	Contractual protection through schedule 15, the Special Projects Approval Procedure schedule, subject matter expertise within the Council's Commissioning Group
	Lack of collaboration between delivery partners	Contractual protection through interface clauses with respect to DRS and the general obligation on Capita to cooperate with other partners. A mechanism will also need to be established by the Commissioning Group that enables

		interdependencies between partners to be managed effectively.
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- 4.3 The mobilisation and transition phase that can commence as soon as the Alcatel (standstill) period has concluded on 27 December 2012 must also be robust, and contract management arrangements need to be effectively structured and resourced to ensure that the benefits set out in the Business Case can be realised, and exceeded, throughout the life of the relationship. These issues are addressed in more detail in section 8 and section 10 of the Full Business Case (Appendix A): 8 - Project Approach and 10 - Approach to Benefits Realisation and Contract Management.
- 4.4 These risks will continue to be assessed and managed in accordance with the Council's project and risk management methodologies.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Equality and diversity issues are a mandatory consideration in decision making in the Council pursuant to the Equality Act 2010. This means the Council and all other organisations acting on its behalf must have due regard to the equality duties when exercising a public function and such obligation is on-going. The Equality Duty should be applied before a decision is made and be part of the decision-making process.
- 5.2 Section 149 of the Equality Act 2010 provides that:
- "(1) A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it"
- (known as the Public Sector Equality Duty and for the purposes of this report henceforth referred to as the **Equality Duty**).
- 5.3 The "protected characteristics" are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 5.4 The Equality Duty applies to the Council. In addition, Section 149(2) provides that "a person who is not a public authority but who exercises public functions must, in the exercise of those functions, have due regard to the matters mentioned in subsection (1)". Section 150(5) provides that "a public function a function of a public nature for the purposes of the Human Rights Act 1998".
- 5.5 The Government has recently announced its intention to bring forward a review of the Equality Duty which it says will be completed by April 2013. Until there is

any change in the law, the Equality Duty remains a basis for legal challenge to decisions by any public authority. The Council recognises that the time and cost of dealing with litigation and the risk of decisions being quashed is not something that can be treated lightly.

- 5.6 Members should be aware of the special duties the Council owes before they take these decisions. In making their decisions, members must accord due regard to all of the goals within the Equality Duty and in the context of the function which is being exercised.
- 5.7 Elected Members have been briefed on the Equality Duty and how equality considerations must be integrated into day to day business when formulating policies and decision-making. Members are mindful of the need to consider what impact, if any, a particular proposal will have on one or more protected groups, whether there will be any cumulative impact and what mitigating steps must be put in place. The Council believes the duty has been exercised in substance with rigour and with an open mind.
- 5.8 The Equality Duty has been and will continue to be considered at all stages of decision making on the NSCSO project and subsequent contract management.
- 5.9 The pre-qualification stage of the procurement process included an evaluation of applicants' procedures for equalities and diversity to ensure that they were in accordance with equalities legislation.
- 5.10 A key strategic objective for this procurement has been to secure a strategic partner who will enable a new relationship with citizens, which requires understanding citizens better in order to design and commission intelligently for their needs, finding ways to involve citizens more in service design and delivery, and better integrating local community groups into service delivery. This theme has featured strongly throughout the process, in the evaluation criteria and in both Final Tenders received.
- 5.11 The evaluation criteria for the Outline Solution, Detailed Solution and Final Tender stage included several criteria related to effective delivery against the public sector equality duty and have therefore influenced the content of dialogue and bidder proposals throughout the procurement process. These criteria were:
- Effective management, sharing and use of data and insight to deliver a citizen-centric Council (5%)
 - Effective HR practices and professional development (5%)
 - High and measured customer satisfaction (6%)
 - Meeting the diverse needs of customers (4%)

The exempt report contains the evaluation scores that Capita received on these criteria.

- 5.12 The Council has undertaken thorough equalities impact assessments for the impact on employees with protected characteristics who work for the eight services in scope, and external customers with protected characteristics

served by the three services in scope with public-facing responsibilities – Customer Services, Revenues and Benefits, and Estates. This is in line with the Council's approach to equalities as set out in the current Corporate Plan.

- 5.13 The Employee Equalities Impact Assessment has been updated at key milestones throughout the procurement process.
- 5.14 The Customer Equalities Impact Assessments on the bids could not be completed until Final Tenders were submitted because prior to this all service proposals were subject to change.
- 5.15 These assessments demonstrate that Capita has committed, as documented in its Final Tender, to continue those aspects of good equalities practice already undertaken by the Council, but also that Capita will enhance existing practice in a number of ways.
- 5.16 Significant changes that Capita intends to make to service design and delivery, which have been assessed for their impact on customers with protected characteristics include:
- Greater use of automated and web-based self-service channels and social media for customers
 - Re-location of staffing to different parts of the UK.
 - Reduced staff headcount
 - Introduction of new technology for staff to use e.g. CRM
- 5.17 For all of these changes, there are mitigations in the form of commitments that Capita has made to ensure that customers receive a high quality service and to avoid detrimental impacts on individuals with protected characteristics. For example, Capita has committed to introduce an advocacy service for vulnerable customers to ensure they get the services they need without having to make repeat contact. Capita has also committed to maintaining the Council's current arrangements for providing face to face services and not changing locations, staff numbers or opening hours, and to maintaining the free internet access available at public access points.
- 5.18 Significant changes that Capita intends to make to staffing, which have been assessed for their impact on employees with protected characteristics include:
- Relocation
 - Redundancy
 - New structures
 - New working practices
- 5.19 For all of these changes, there are mitigations in the form of commitments that Capita has made to ensure that staff are treated fairly, including:
- Full transition communication and engagement plan to integrate staff into new organisation quickly and effectively

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

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

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

1. The Council intends to monitor the delivery of the services during the transition to "*go live*" and following "*go live*" with its partner in order to continue to satisfy its Equality Duty. The EIAs will be kept under review through the mobilisation and contract period to:

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

2. The Council will maintain proper supervision over its partner to ensure that it does comply with the Equality Duty. There are already numerous contract provisions, including reporting, monitoring, intervention and assistance to ensure that this takes place.

3. If any negative impacts from a particular service change are identified by an Equalities Impact Assessment during or after the mobilisation period, the cost

of mitigating these impacts in order to comply with the Equality Duty are at the partner's risk rather than the Council's.

- 5.22 In addition whilst the Council recognises that its compliance with the Equality Duty cannot itself be outsourced or delegated the partner is required by the contract to produce an annual report on its performance in delivering against the contract equalities clauses. As part of its contract monitoring arrangements, the Council will rigorously monitor the partner's adherence to equalities requirements and commitments.
- 5.23 Should the scenario arise in which the Council may wish to proceed with BT as its Preferred Bidder (for example in the event of Capita withdrawing) then BT's Final Tender would be subject to a full EIA prior to the decision to proceed.
- 5.24 The full equalities impact assessments can be found in Appendix B.

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

Finance

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

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

- 6.2 The services in scope for NSCSO include income budgets totalling £11.9m per annum.
- 6.3 The **Medium Term Financial Strategy (MTFS)** agreed by Council in March 2012 included savings attributable to NSCSO totalling £3.6m per annum. This reflected the prudent estimate of benefits from the NSCSO business case. Since that point, Cabinet on 7th November 2012 set out additional savings requirements of £2.7m for NSCSO for the years 2014/15 and 2015/16, reflecting the likely further cuts to public expenditure that will follow from the existing 2010 spending review settlement. So when taken together, the total savings requirement for NSCSO over the period 2013 to 2016 is £6.3m.
- 6.4 The guaranteed financial benefits arising from the Preferred Bidder recommendation include savings on the core transferring services (reduction in expenditure and increases in income), procurement savings on contracting activity across other Council services, and increases in collection of Council Tax. These financial benefits are as follows:

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

- 6.5 The table above demonstrates that the original savings target derived from the Outline Business Case (£3.6m) and the additional savings target included in the Cabinet report of 7 November 2012 (£2.7m) totalling £6.3m per annum are exceeded by the “core” financial benefits in the Capita bid of £7.01m per annum. Over and above these savings on core services, there are additional benefits guaranteed on Council Tax collection and procurement which will further support the achievement of future MTFS savings.
- 6.6 A baseline of £90m per annum of contractual expenditure has been set against which bidders have guaranteed savings on procurement activity. This baseline excludes spend that will transfer to NSCSO (for example IT contracts), spend attributable to DRS and other One Barnet projects, and also spend that is funded through schools or the Housing Revenue account (as savings on these areas would not represent a saving for the Council's general fund).
- 6.7 Additional income from Council Tax collection is set against the Council's overall collection rate for Council Tax, rather than the “in year” collection rate. Increasing the “in year” collection rate does not represent an overall saving to the Council unless the total cash collected over time increases. The Council's baseline for collection is approximately 98.5% and guaranteed benefits included in the table above represent increases above this level.
- 6.8 The savings on core services as set out above (£70m over 10 years) will be directly factored into the MTFS to support the requirement for savings over the period 2013-16. Additional guarantees on procurement savings will not be directly factored into the MTFS at this stage, but will help services (particularly Adults and Children's services) to meet their additional savings targets beyond 2015.
- 6.9 The key proposals from the bidders are outlined in the Full Business Case (Appendix A) and their evaluation scores are shown in the Exempt Report.

Staffing

- 6.10 The Council has obligations to its staff both under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and the Council's additional TUPE Transfer Commitments which it made to staff.
- 6.11 The Council will fulfil its TUPE duties to inform and consult staff through tripartite meetings between the Council, the new partner and the Trade Unions, which will begin in January 2013. In addition to the statutory processes, these tripartite meetings will manage the implementation of the TUPE Transfer Commitments.

- 6.12 Permission to implement the TUPE transfer of staff from the Council to the partner will be sought from the General Functions Committee on 29 January 2013.
- 6.13 The pensions implications will be put to the Pension Fund Committee on 18 March 2013 with a recommendation for the new partner to receive Admitted Body Status to the London Borough of Barnet Local Government Pensions Scheme. This request will be supported by a pension bond and admissions agreement.
- 6.14 Details of FTE reductions are contained within the Full Business Case (Appendix A), and are based on data provided to bidders on 28 May 2012. Updated figures will be provided to the new partner at the start and the end of the mobilisation period.
- 6.15 Details of the employee equalities impact assessment are summarised above in section 5, and in full detail in Appendix B.

Pre-Mobilisation Period

- 6.16 The Council has provided support to managers and staff throughout the procurement period through the provision of workshops covering the TUPE process, and the personal change process ('Change and Me'). In the period up to 18 January 2013 the Council has put the following arrangements in place to support staff:

Emotional support

- Counselling
- Employee Assistance Programme – Workplace Options – available 24/7
- Change and Me workshops

Practical Support

- Line manager and employee 1-1s with a template to collect issues and concerns. These will be held centrally and passed onto the Preferred Bidder when they arrive on site.
- TUPE Answers 1-1, run by HR, 2 hours everyday, starting Monday 26 November
- Single intranet page under NSCSO for all support matters, with TUPE FAQs updated weekly
- Workshops on Accessing the Hidden Job Market
- Email address for comments and concerns: employee.support@barnet.gov.uk

Manager Support

- 1 hour briefing sessions on 26 and 27 November 2012

Mobilisation of the Contract

- 6.17 The Council has a full staff mobilisation plan to ensure that all of the TUPE obligations with regard to informing and consulting are properly discharged.

- 6.18 From 7 January 2013 the Council will start working with the Preferred Bidder to merge plans, agree key milestones, and implement the staff mobilisation and transition plan set out in their Final Tender.
- 6.19 An important part of mobilisation is the release of staff from their duties to attend informative briefings, induction, one-to-one meetings, and pre-contract training on new systems and processes, so that they can start to understand the culture and working processes of their new employer. The Council recognises that release at the early stages of mobilisation will contribute to a smooth transfer of staff, and the process will be managed to ensure minimum disruption to the services supporting the Council and the residents of Barnet.

Procurement

- 6.20 The Council's procurement service is in scope to transfer to the new partner, with performance targets such as the 100% compliance of Council contracts with Contract Procedure Rules and relevant applicable legislation.
- 6.21 The partner has also committed to achieving savings on procurement spend held by the Council.

IT

- 6.22 The Council's IT service is in scope to transfer to the new partner, with performance targets such as the 99.9% critical system availability.
- 6.23 Capita's Final Tender contains extensive investment in refreshing and replacing the Council's infrastructure and core systems.

Property

- 6.24 The Council's Estates service is in scope to transfer to the new partner, with performance targets such as building compliance and asset utilisation.
- 6.25 Capita's Final Tender also contains a number of relevant strategic commitments, including:
- development of a property strategy allowing the Council (if it chooses) to exit NLBP 4 at the lease break date of Nov 2015 and NLBP 2 in 2020, taking advantage of any opportunity (with the agreement of the Council) to relocate staff to other accommodation offering better value for money at the time for the projected size of workforce.
 - Development of locality strategies for wards, beginning with Colindale, to support integrated service delivery.

Performance and Value for Money

- 6.26 Capita has guaranteed maintenance of inherited performance and service levels throughout the contract, with improvements in key areas such as IT incident resolution, pace of accounts closure, and user satisfaction across all support services.
- 6.27 Capita has committed 12% of its annual core services fee to the achievement of Key Performance Indicator (KPI) targets, with a deduction cap and termination point at 8% of its fee. This means that fee deductions can be made by the Council if performance targets are not hit. The basket of KPIs covers all eight service areas in scope.

- 6.28 Capita has committed to routinely report performance against both KPI targets and a broader set of Performance Indicator (PI) targets, which will be reviewed by a monthly operational board and a quarterly strategic board. Targets that are part of the Corporate Plan will also be reported to the Cabinet Resources Committee and the Overview & Scrutiny Committee as part of existing corporate performance reporting arrangements.
- 6.29 The Council can at any time require that new KPIs or PIs are introduced. Targets are reviewed as part of the annual service review. If the Council wishes to make targets more ambitious, it can use the change mechanism within the contract to facilitate this, where Capita is obliged to provide options for the Council to consider.
- 6.30 An annual review process, aligned with the Council's budget and business planning cycle, will include a report on prior year performance by the partner with comparison to available industry standards. In circumstances where the Council believes performance is not delivering best value it can serve an efficiency notice requiring the partner to build in improvement activities.
- 6.31 At the end of years 3 and 6 respectively, the partnership will undertake a more fundamental Outcome Review and the results of this will inform a partner requirement to develop options and an implementation plan for reducing cost and/or developing services further in line with the Council's strategic objectives at the time.
- 6.32 Externally commissioned performance benchmarking of the services can, at the Council's request, occur on three occasions in the first 10 year period.

Sustainability

- 6.33 The Council's contract has a sustainability clause, requiring (amongst other things) that the partner supports the Council in meeting its environmental targets and obligations, and adherence to a written environmental management strategy setting targets for carbon emissions, water usage, increased recycling rates and procuring sustainability and sustainable transport usage.
- 6.34 Capita has additionally committed to a KPI target to reduce energy use across the Council's office accommodation.

7. LEGAL ISSUES

- 7.1 The Council has been advised throughout this procurement by its external legal advisers Trowers & Hamlin LLP and, in relation to authority policies and third party contracts that will novate, by its in-house Legal Services department.
- 7.2 In accordance with the provisions of Regulation 18 of the Public Contracts Regulations 2006 (the **Regulations**), the Council has undertaken a thorough competitive dialogue with bidders for the NSCSO contract. The project team and project advisers have undertaken detailed negotiation of all elements of the Partnering Agreement clauses and schedules, including the financial and

technical schedules, with the goal of obtaining the most economically advantageous and technically sound proposals for the provision of the NSCSO services.

- 7.3 The competitive dialogue procedure concluded with the receipt of Final Tender submissions from BT and Capita on 25 October 2012. Council officers and project advisers have undertaken a thorough evaluation of the submissions in accordance with the published evaluation criteria (see Appendix A, Full Business Case, section 9, Project Approach).
- 7.4 As dialogue has now closed, the Regulations permit that the Council may only request a bidder to clarify, specify or fine tune a tender, but further detailed negotiation is no longer permitted.
- 7.5 The services to be included within the NSCSO contract include statutory functions under a wide range of legislation set out in Appendix C of this report.
- 7.6 The Council has well established legal powers to enter into a contract with an external service provider to deliver these services by virtue of Section 1 of the Local Government (Contracts) Act 1997, its duty of secure economy, efficiency and effectiveness in the provision of its services under section 3 of the Local Government Act 1999 ("best value"), its general power of competence under section 1 of the Localism Act 2011, section 111 of the Local Government Act 1972 and the Contracting Out (Functions of Local Authorities: Income Related Benefits) Order 2002 which later was made under the Delegation and Contracting Out Act Order 1994.
- 7.7 All matters which require a Council decision will continue to be subject to Council decision-making, as governed by the constitution and the scheme of delegation.
- 7.8 There are various activities within the eight services that the Council has chosen to retain in-house, which have been included within the design of the new Council Commissioning Group, which is the retained client function in the new Council structure. This includes the following statutory responsibilities that cannot be delegated to a third party:
 - Checking a sample of claims made for Housing Benefit and Council Tax Benefit to ensure they were processed accurately;
 - Claiming and receiving Housing Benefits subsidy from the Department for Work and Pensions;
 - Health and Safety; and
 - Liaison with the Local Government Ombudsman
- 7.8 Upon confirming all outstanding elements of the Preferred Bidder's proposals, and approval of the Preferred Bidder recommendation, the Council will enter into a Partnering Agreement with them for a 10 year period for the provision of the NSCSO services; the parties will also have an option to extend the contract term by a period or periods of up to an additional five years.
- 7.9 The contract contains detailed provisions to enable the Council to monitor the quality of the services, and the partner will be incentivised under a payment and performance mechanism to deliver to the standards set out in the detailed

output specifications for every service and through KPIs during the contract period and any period of extension.

- 7.10 The Council is protected against a number of potential risks by indemnities and the contractual obligations are backed up by a parent company guarantee from Capita Group plc, a company listed on the London Stock Exchange, and whose financial strength has been subject to assessment by the Council's finance team.
- 7.11 A bond will back up the partner's obligations with regard to staff pensions under the Local Government Pensions Scheme.
- 7.12 The Council is further protected in the contract against potential events of insolvency, poor performance, contractor default and force majeure through contractual provisions to terminate the contract early.
- 7.13 The Council also has the option to terminate the NSCSO contract voluntarily on six months notice subject to reimbursing the partner for any investment, the benefit of which the Council keeps (e.g. IT systems) and the return the partner would otherwise have made. This is usual in all contracts requiring major investment.
- 7.14 The Council also has a legal duty to continue to have regard to its obligations under the Human Rights Act 1998 (HRA) as a public authority which like the Equality Duty cannot be outsourced or delegated. Where the partner proposes any changes to the services throughout the life of the contract the Council will therefore consider any potential implications with regard to the potential impact of any change in service on service users, residents or other individuals in terms of compliance with its HRA duties and have due regard to them in any decision whether to bring such changes into effect.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 Council Constitution, Part 3, Responsibility for Executive Functions – Paragraph 3.7 states the Cabinet may discharge any executive functions whether or not they are also delegated to officers.
- 8.2 This decision constitutes a key decision as it involves expenditure or savings in excess of £500,000 and has a significant effect on two or more wards.

9. BACKGROUND INFORMATION

- 9.1 In June 2011 Cabinet Resources Committee approved the Outline Business Case for the NSCSO project. This recommended that the Council undertake a procurement process to identify a strategic partner for the delivery of the following services:
 - Corporate Procurement;
 - Customer Services;
 - Estates (Building Services, Property Services, Facilities Management) ;

- Finance;
- Human Resources;
- Information Systems;
- Revenues and Benefits and;
- Corporate Programmes.

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

9.3 This Full Business Case demonstrates how the Final Tender from Capita enables the Council to:

- meet the unprecedented financial pressures it is facing;
- invest in these customer and support services; and
- preserve and improve on existing service levels.

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

Financial Benefits:

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

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

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

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

9.9 Capita's proposal also includes (within the financial offer described above) approximately £8m investment in areas such as information technology (computer hardware and software), and customer services. This investment not only enables Capita to deliver the transformation it is proposing, but also avoids the Council having to find money in the future to fund replacement technology for systems that are at or nearing the end of their useful life.

Benefits for Residents:

9.10 The preferred tender commits to providing Barnet's residents with an improved and more efficient process. This will be achieved through:

- An online 'citizen's portal' account, where a resident can see and manage all of their interactions with the Council's customer services in one place. As part of this, Capita will ensure free access to information about interactions the resident has with the new supplier of Development and Regulatory Services (such as planning, environmental health and building control) ('DRS').
- Better coordination across the public sector, so that people can easily access support from all appropriate providers when necessary. As part of this, the NSCSO supplier will advocate for vulnerable people to ensure that their requests are responded to without repeat contacts being needed.
- More sophisticated analysis of the information gathered by the Council, allowing for a more detailed understanding of the needs of individuals and specific groups and tailoring of service provision accordingly.
- Significant investment in best-in-class technology and staff capability, from the point of service commencement.

Benefits for Council staff:

9.11 Capita's offer includes:

- Investment in more efficient tools, data and processes, learning and development;
- Greater opportunities for flexible working including school hours/term time working options;
- A contractual commitment to maintain inherited service levels and increase staff satisfaction with the services provided to other areas of the Council for services such as finance and HR.

Benefits for members:

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

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

Benefits for commissioners:

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

Benefits for schools:

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

Benefits for community organisations:

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

Benefits for the local economy:

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

Benefits for transferring staff¹

- 9.18 The Preferred Bidder is committing to funding existing professional accreditations that need to be renewed and maintained. In addition to this, all managers will receive Manager Training from Capita's Learning and Development Academy. All transferring staff will benefit from a preservation of Terms and Conditions, including ongoing access to their current pension scheme.
- 9.19 The evaluation of the Final Tenders from BT and Capita has determined that the latter represents the best solution for the Council. This result has been reached using the objectives set out at the start of the procurement. It is recommended that this Tender is taken forward to contract signature as the preferred bid.
- 9.20 The Final Tender submitted by BT did not score as highly as Capita's. Evaluation has shown, however, that it would acceptably deliver the Council's stated requirements. It is, therefore, recommended that the BT Tender is designated as a reserve bid, which the Council may return to should it not be able to finalise contracts with Capita.
- 9.21 There remains the option of discontinuing the procurement process. However if the Council chose not to complete this procurement, it would have to:
- make significant cuts to customer and support services in 2013/14 in order to meet immediate budget pressures;
 - attempt to replicate the investment, technology and other solutions being proposed by Capita in order to drive out the future savings required;
 - at the same time attempt to maintain service levels in existing areas and develop further its own analytical capability to shape future commissioning.

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

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

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

10. LIST OF BACKGROUND PAPERS

10.1 None

Cleared by Finance (Officer's initials)	JH / MC
Cleared by Legal (Officer's initials)	Trowers & Hamlins