

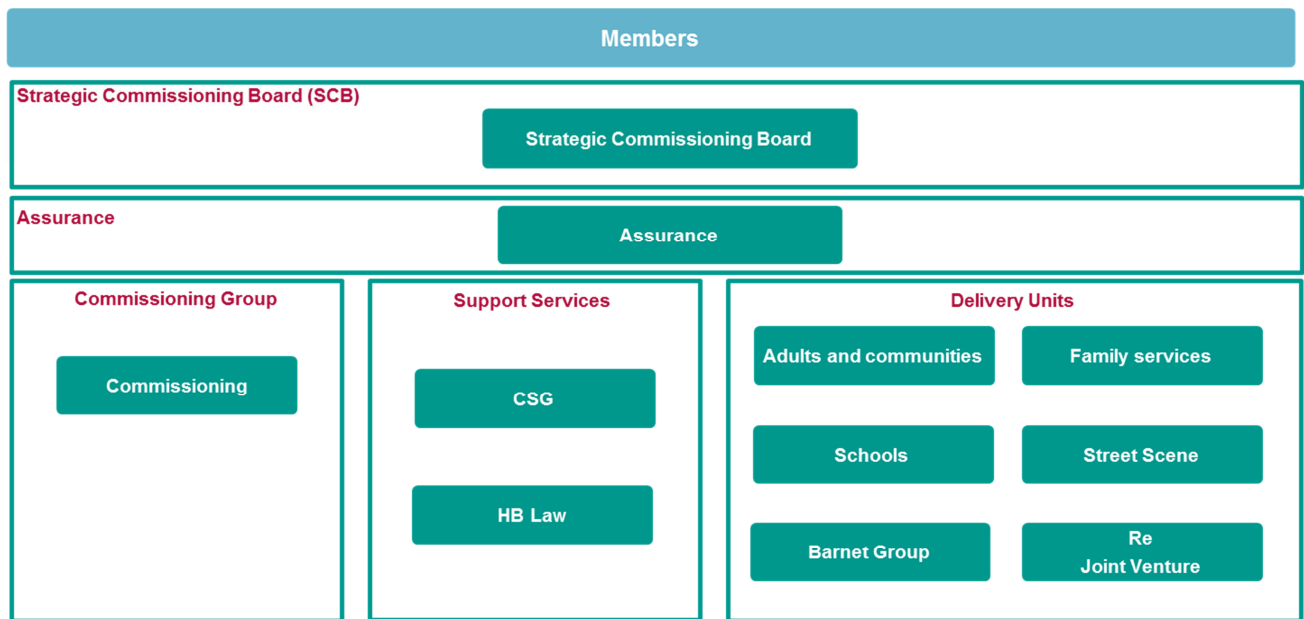
	<h2>Performance and Contract Management Committee</h2> <h3>11th February 2015</h3>
Title	Clienting and contract management arrangements
Report of	Commercial & Customer Services Director
Wards	All
Status	Public
Enclosures	Appendix A – Year 1 CSG Annual Service Report Appendix B - Year 1 Re Annual Review Report Appendix C – Highways Service Improvement Plan
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<h2>Summary</h2>
This report provides the Committee with an overview of the clienting and contract management arrangements in operation across the council contracts within the remit of this committee setting how performance is monitored and challenged and presents the annual review of CSG and Re.

<h2>Recommendations</h2>
<ol style="list-style-type: none"> The Committee is asked to note and comment on the report provided in respect of clienting and contract monitoring.

1. WHY THIS REPORT IS NEEDED

- 1.1 At the last Performance and Contract Management Committee, members asked for a report which updated them on the contact monitoring arrangements in place for the contracts under the remit of this committee.
- 1.2 Before setting these out, it is worth explaining some of the history of the structure that is currently in place and indeed has been recently updated, to undertake this function. In April 2012, the General Functions committee agreed a new organisational design to support the council's future as a commissioning organisation. It was acknowledged that commissioning involves a fundamentally different approach to determining how services should be provided by the council.
- 1.3 In simple terms, commissioning is the adoption of a system in which the council works with partners and residents to set the strategic priorities of the borough, in the context of the available resources, and agrees a set of outcomes which reflect the needs of residents and which the full range of local partners work together to achieve. Services are then 'commissioned' from a diverse mix of providers (public sector, arm's length, private, voluntary etc.) to deliver these outcomes.
- 1.4 The commissioning process requires the council and its partners to have oversight of the full range of resources available across agencies and to align these resources to achieve the stated outcomes, prioritising as required. Services are commissioned across the full range of providers in the market without prejudice. Throughout the process, the focus remains on achieving the best outcome for residents, without any pre-determined position on who should provide the services required. The new structure aimed to clarify roles and responsibilities in the organisation, giving clearer accountability for policy, strategy and resource allocation. Reduce costs by minimising duplication of roles across the authority and centralising a number of functions in the Commissioning Group.
- 1.5 The structure agreed in 2012 was designed to be simple and adaptable to change and was based around three core units. The Commissioning Group which works with Members, partners and stakeholders to determine priorities, commission services, and manage contracts, Delivery Units, internal and external, reflecting a mixed economy of delivery arrangements, and an Assurance Group, to provide strong governance and oversight across the system. The senior officer leadership is through the Strategic Commissioning Board. Each unit has a distinct role and function, though there is a high level of joint working across the functions. This is shown diagrammatically below:-



1.6 In September 2014, in recognition of the work that had been undertaken on the Priorities and Spending Review a review of the senior tier of this structure was undertaken by the Chief Executive. This restructure amended the senior tier with the intention of providing a robust basis to meet this core challenge. This new structure comes in to effect on the 1 April 2015

1.7 It is the Commissioning Group that are the focus of this report. The core functions of this Group are to:

- Work with Delivery Units, Support Services and Customer Services to provide data and analysis that informs strategic decision making by the Strategic Commissioning Board and Members;
- Translate outcomes and priorities set by Members and the Strategic Commissioning Board into commissioning strategies and delivery plans;
- Identify innovative solutions that could be used in Barnet to deliver outcomes and suggest these to Members and Delivery Units;
- Define evaluation criteria and performance measures for commissions;
- Provide advice to the Strategic Commissioning Board and Lead Commissioners on how to approach technical elements of the commissioning process; and
- Manage contractual relationships with major providers on behalf of the Strategic Commissioning Board.

1.8 The Lead Commissioners for each contract are located within the Commissioning Group. Their role with respect to each contract is to lead on strategies and annual business planning; review any performance issues and agree remedial actions or intervention.

- 1.9 The lead Commissioning role for CSG is split between the Deputy Chief Operation Officer (DCOO) and the Commercial & Customer Services Director. The DCOO is effectively the lead commissioner for support services, supported by the DCOO team which has specialist expertise in finance (who will also oversee contractual payments), insurance, revenues and benefits, information management, complaints, and programme and project management. This team similarly leads on these issues across the rest of the contracts and delivery units. The Commercial & Customer Services Director is the Lead Commissioner for Customer Services.
- 1.10 For Re, the Lead Commissioners are Commissioning Director (Growth & Development), and Commissioning Director Environment who is also the Parking Lead Commissioner. These officers draw on additional expertise as required via third party experts.
- 1.11 For Barnet Homes, the Lead Commissioner is the Commissioning Director (Growth & Development). There are currently additional officers responsible for developing housing policy and strategy within Re, and these officers will continue to support the Lead Commissioner.
- 1.12 For HBPLaw the Lead Commissioner is the Assurance Director, though there are interim arrangements currently in place.
- 1.13 For Public Health, the lead commissioner and Delivery Unit director is the Director of Public Health.
- 1.14 There is currently a project in place to develop commissioning capacity, which will result in additional resources being made available to support the Commissioning Directors.
- 1.15 The Assurance team also sit within the Commissioning Group and have an important role to play in supporting the contract monitoring discussed in this report.
- 1.16 Within this Commissioning Group, the Commercial & Customer Services Team has two major functions
- the responsibility for overseeing performance, contract compliance and managing any contractual changes for each of the partnerships/contracts within its remit. These currently are CSG, Re, HBLaw, Barnet Homes, Public Health, NSL and the Street lighting PFI contract; and
 - to lead on the policy development for the Council's customer strategies to ensure that service developments are delivered within the agreed framework maximising customer benefit.
- 1.17 The permanent structure for this team has been put in place over the last year. For each of the contracts robust contract monitoring are in place including specific governance arrangements. The rest of this report looks at each of these in turn:-

- 1.18 **CSG** - The Customer Support Group (CSG) Partnership started in September 2013. Over the first year of the contract Members have received regular reports on performance and progress made against objectives. Overall the partnership has progressed and at the end of the first year of operation:
- Customer satisfaction has improved from 52% to 77%
 - CSG services cost £6m less to run per year
 - £1.2m of procurement savings have been delivered
 - ICT incidents are being resolved first time 94% of the time
 - New benefit claims are being processed in 8 days rather than 12 days
- 1.19 However, the year has not been without its challenges and sometimes frustrations on both sides. There have been some real tests for the partnership, both sides have worked together to overcome these challenges. There are strong foundations in place, to assist the partnership to work collaboratively to deliver further benefits in year two of the contract. Attached as Appendix A is a summary Year 1 CSG Annual Service Report which sets out what has been achieved in the first year of operation.
- 1.20 The performance of the CSG contract is monitored and managed by two Partnership Operations Boards (POBs). POB are attended by representatives from both LBB and Capita and chaired by council's Commercial & Customer Services Director. There is a POB for Performance and one for Projects, each formally monitors CSG'S performance against its contractual commitments and obligations and they meet monthly.
- 1.21 The POBs report to Strategic Partnership Board. (SPB) The key function of SPB is to provide the overall vision and direction of Special Projects and the Services and have financial oversight of the provision of the Services. The SPB meets quarterly, is attended by senior staff from CSG and the council and is chaired by the council's Chief Executive.
- 1.22 Service Matter Experts and the Commercial Team work together on a daily basis to monitor service delivery and new developments and are the link between CSG the rest of the organisation. These Service Matter Experts are commonly referred to as Senior Responsible Officers (SRO). The role of the Service Matter Experts is:
- To retain expertise in CSG Services
 - To own the Quality aspect of the services
 - To own and manage Council Strategies relevant to CSG (information management, customer access strategy, budget strategy, Council Tax support, asset management, community assets, procurement, workforce)
 - To act as the key link between the CSG services, commitments and the enabling boards; Assets and Capital, Procurement Board Workforce and the Customer and Information Management Board

- 1.23 The Commercial Team and SROs work together to scrutinise the CSG performance and where appropriate apply challenge. The Commercial Team manage the contract and the overall relationship with CSG. The Client side Service Experts own the Quality aspect of the services.
- 1.24 CSG contract performance is underpinned by 31 Key performance indicators (KPIs), 10 Super (KPIs) and 91 Performance indicators (PIs) across 7 service areas. The performance indicators demonstrate the required performance of the Services. KPIs and Super KPIs are contractually bound and any changes are managed via the change protocol set out in the contract.
- 1.25 Performance data is collected and processed in accordance with the appropriate methodology, guidance, policy and Good Industry Practice. The performance is then subject to monthly, quarterly and annual review. If the Council is not satisfied with any Performance Review issued by CSG it can make a written request to the Service Provider for resolution of its concerns or rectification.
- 1.26 There are also 320 contractually bound commitments. All commitments are assigned a Council "owner" and Capita are responsible for producing a "Commitment Card" that defines the acceptance criteria by which any commitment is defined to have been delivered. The Acceptance Criteria is agreed in advance between the relevant Council and Capita work stream leads or owners. Examples of commitments are the delivery of a data warehouse solution to facilitate the modelling, scenario analysis and production of management information to assist understanding the future demand for services from Barnet's citizens and the implementation of the Integra Finance Systems.
- 1.27 In addition there is a Joint Audit Protocol with Capita that covers its relationship with both CSG and Re that allows an audit by LBB of any performance information that LBB is concerned about. Dependant on the programme Capita's own Internal Audit Team may carry out its own audits, the outcome of which is shared with Barnet.
- 1.28 Monthly monitoring is supplemented by quarterly reviews so that on-going performance can be reported to the Council's Enabling Boards, Delivery Board, Strategic Commissioning Board (SCB) and to this committee.
- 1.29 Where performance and or actions do not meet the agreed expected outcomes the contract describes a number of actions that can be applied which include discussion and escalation through governance mechanism, service credits applied, step-in or even breach of contract. Since contract commencement there have been two instances where remedial notices have been applied. This was in May 2014 in relation to the IS service and again in August 2014 in relation to the HR service. On both occasions CSG provided timely responses and remedial action plans against which service performance was monitored. These plans have been scrutinised and found acceptable by the Authority. Delivery against the plans has been and continues to be monitored at commercial, client and board level

- 1.30 The indicators assist with consistent tracking of performance across the life of the contract (trend analysis). The creation of Indicators is authority led, with definitions, baselines, methods for collection, reporting frequency (monthly, quarterly or annually) and formula agreed with the service provider. In the event that KPIs or Super KPIs performance levels are not met Service Credits may be applied. Since the contract commencement up until the end of December 2014 Service credits have been applied on 11 for failures against different KPIs. The Service Credit applied totals £157,541.
- 1.31 Following the contract annual review, a number of service areas are proposing changes to their indicators, these are Customer Services, IS and Revenues & Benefits. Each Service has reviewed the PI's with the aim to improve the indicators to enable improved monitoring, to better measure the customer experience and to provide CSG with clarity of focus in line with the Authority's objectives. These indicators once agreed will be reported to this committee.
- 1.32 **Re** - The Re (Regional Enterprise), which came in to effect on the 1st October 2013 is the Joint Venture Company setup between the Council and Capita. It was set some ambitious objectives to support the delivery of the following Council Corporate Priorities:
- Promote responsible growth, development and success across the borough.
 - Support families and individuals that need it – promoting independence, learning and well-being.
 - Improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.
- 1.33 Now in place for 15 months, overall the partnership has progressed well against these objectives and to date has:
- Implemented a new Customer Services Hub
 - Won an external contract with the West London Alliance
 - Delivered against 78 KPI's with average monthly performance in excess of 90%
 - Increased customer satisfaction from an average of 33% to 65% in July 2014
 - Significantly invested in an IT Implementation Programme – Exor, Uniform
 - Successfully transitioned 320 members of staff.
- 1.34 As with CSG, the year has not been without its challenges and both sides have worked together to overcome these challenges and to ensure that we work together as one business, developing and implementing new systems and ways of working. Attached as Appendix B is an annual review report for Re.
- 1.35 Similarly to CSG, the performance of the Re contract is monitored and through a hierarchy of governance that includes weekly meetings between the Operational Director for Re and the Council's Partnership Relationship Manager. A monthly Partnership Operations Boards (POB) which is chaired

by the council's Commercial & Customer Services Director and has Lead Commissioner representatives and Re senior management. This meeting retains oversight of the operational performance of the contract as well as looking to the future and plan ahead.

- 1.36 The POB makes recommendations to the Strategic Partnership Board (SPB), which meets quarterly. The function of the SPB is to agree the principles, objectives and priorities as well as to provide an overall vision for services; to identify areas for expansion of the contract; to ensure continuous improvement; to secure additional benefit for the community; to identify business opportunities; and, to act as the final forum for escalation of issues prior to the implementation of any dispute resolution procedures. This Board is chaired by the Council's Strategic Director.
- 1.37 Contract monitoring places the onus on the provider to monitor and warrant performance and to provide regular, auditable reports to the council. The requirements are set out the contract this defines three levels of contract performance reporting, these being:
- Monthly Performance Report: for consideration by the Service Delivery Operations Board & Partnership Operations Board
 - Quarterly Performance Report: for consideration by the Strategic Partnership Board
 - Annual Performance Review: for considerations by the SPB, and appropriate committees. See Appendix B
- 1.38 The staff operate across 11 services areas:
- Building Control
 - Environmental Health
 - Hendon Cemetery & Crematorium
 - Highways Network Management
 - Highways Traffic & Development / Highways Strategy
 - Highways Transport & Regeneration
 - Land Charges
 - Planning Development Management
 - Regeneration
 - Strategic Planning
 - Trading Standards & Licensing
- 1.39 Many of these services have statutory elements, including enforcement action so Re operate with a number of staff on "joint employment" contracts to safeguard the Council's statutory functions. This allows the Council to discharge its non-delegable statutory powers through those individuals with joint contracts.
- 1.40 The Re contract performance is underpinned by approximately 70 Key performance indicators (KPIs), 7 Super (KPIs) and 58 Performance indicators (PIs) across 11 service areas. The performance indicators demonstrate the required performance of the Services. KPIs and Super KPIs are contractually

bound and any changes are managed via the change control protocol arrangements as set out within the contract.

- 1.41 The Commercial Team and Commissioning Director's work together to scrutinise the performance of Re and where appropriate apply challenge. Where performance and / or actions do not meet the agreed expected outcomes the contract describes a number of actions that can be applied which include discussion and escalation through governance mechanism, service credits applied, step-in or breach. In addition, the Commercial team may ask Re to provide supporting evidence, conduct its own deep dive audits and/or commission an audit from the Council's Assurance Group. The Joint Audit Protocol allows the council to request audits when concerns are raised.
- 1.42 As with CSG, the indicators assist with consistent tracking of performance across the life of the contract. The creation of Indicators is authority led, with definitions, baselines, methods for collection, reporting frequency (monthly, quarterly or annually) and formula agreed with the service provider. In the event that KPIs or Super KPIs performance levels are not met Service Credits may be applied. Since the contract commencement Service Credits have been applied over 2 invoice periods totalling £38,849. These service credits apply to a number of KPI's that did not meet their performance targets since contract commencement. Two rectification plans have been put agreed and are in place for failed KPI's.
- 1.43 The contract is further supported by approximately 340 Commitments ranging from improving resident and business confidence that Barnet is a safe place to live and work, to establishing a dedicated Customer Service team to be the first point of contact for all Re service contacts. These are in addition to the Service Output Specification and KPI requirements, and offer a very significant range of additional commitments that add value to the offer made under the contract.
- 1.44 These additional commitments give rise to a further £6m of potential remedies for under-performance and are set out in five tiers:
 - Tier One: These directly contribute to the Authority's Strategic Objectives
 - Tier Two: These are cross-cutting and do not relate to a specific DRS service
 - Tier Three: These relate directly to service enhancements and improvements
 - Tier Four: These are focused upon delivering guaranteed and aspirational growth
 - Tier Five: These are commitments that CSL are making for Partnership staff
- 1.45 The timeframes for delivering each Commitment are different and are tracked through monthly and performance reporting.
- 1.46 One area where members have shown considerable interest is in the performance of the Highways Department and attached as Appendix C is a

case study on the improvements that Re have made and are making to this service.

- 1.47 The contract is highly innovative and is based on the formation of a Joint Venture Company (RE Ltd) with whom the Council then contracts for the provision of services. Under the joint venture approach the council (through a separately incorporated company called Barnet (Holdings) Ltd) and Capita form a new company, with both owning shares in this new company.
- 1.48 A number of benefits of the joint venture model were identified. It:
- enables the council to have a seat on the company's Board, at the moment the Leader of the Council and the Chief Executive are members of the Board
 - provides the transparency that helps ensure the council receives any share of profit due;
 - as shareholder in the joint venture company the council has the right to inspect the accounts of the company even when they do not relate to the Re contract;
 - enables the council to be able to trade more easily with other Authorities – without the joint venture company the council could be exposed to more risk if it traded directly with other Authorities as opposed to via a limited company;
 - may give some customers greater confidence than trading with a purely privately owned company – some councils will be less sceptical of placing a contract with an organisation that another council is a shareholder of; and,
 - could continue to make profits after the end of the Re contract – there is no necessity to stop being a shareholder in the joint venture company, or for it to stop trading, at the end of the Re contract.
- 1.49 The council is a shareholder (49% Holding) in the joint venture company and can benefit from any increased incomes generated whilst being protected, in part, from risk because of the JV Co's status as a 'company limited by shares'.
- 1.50 **HB Public Law** - The Inter-Authority Agreement [IAA] between Barnet and Harrow regulates the relationship in respect of the provision of legal services to Barnet. It contains a specification of the service to be provided and sets out Key Performance Indicators (KPIs) which are to be measured to indicate whether performance is satisfactory.
- 1.51 The commercial performance of HBPL is overseen by the Commercial team who are the Contract Managers and is 'cliented' by the Assurance Director, though there are interim arrangements currently in place The commercial performance is managed to ensure that the following three key principles are met:

1.52 Firstly, that the service is performing according to the requirements outlined in the IAA and that there is a sufficiently robust challenge process to ensure that the data provided is an accurate reflection of overall service performance and that invoices accurately reflect the service received, this involves the following:

- Reviewing KPI submissions on a quarterly basis, which includes checking for anomalies, challenging unusual or unexpected trends in the data submitted, reviewing supporting evidence to challenge data and consulting with data stakeholders where necessary. The performance outturn is then further scrutinised and challenged at the Performance and Contract Management Committee.
- Reviewing the current KPI suite to ensure it is fit for purpose. A review has been undertaken during December 2014 and changes will be recommended following consultation with the interim Monitoring Officer.
- Distributing reports on hours used and disbursements to delivery units on a monthly basis for validation by exception

1.53 Secondly, that there is a framework to raise any commercial or contractual issues relating to the overall provision of the service with the service provider, as well as a mechanism to resolve any contractual disputes or escalations. The IAA contains a set of governance principles and these outline how the overall strategic relationship between the parties should operate and these include:

- A Strategic Monitoring Board which is a senior level forum for oversight, consultation, discussion, resolution of issues and recommendation back to the Parties It monitors performance and sets strategic direction.
- Regular meetings with the Client to discuss operational issues on a case by case basis and chargeable hours recorded to date.
- Monthly meetings between the Contract Manager and HBPL to discuss performance under the terms of the IAA.

1.54 And thirdly, Delivery Units being supported to receive a high level of service whilst having a framework to escalate contractual issues and/or queries with the quality of the legal advice with the Contract Manager. Although the IAA does not provide a framework for this, the following are the working principles that govern this relationship:

- All delivery units effectively act as Senior Responsible Officers for their area and retain responsibility for overseeing the advice they are given. This includes having a direct relationship with HBPL to oversee the practical and operational aspects of the delivery of legal advice to their area and working directly with HBPL to resolve any issues with the advice given. As the lead contacts in their field it is expected that they would identify where the service is not performing at expected levels and where necessary would escalate that to the Contract Manager.
- Monthly meetings are offered to delivery units which have the purpose of validating hours used, monitoring the core hours budget profile and legal spend as well as providing a forum to raise issues regarding

quality/service and to have an overall understanding of performance at operational/delivery unit level

- 1.55 As members will be aware, the Claer Lloyd Jones Report which was presented to the Policy & Resources Committee last year, made a number of suggestions to strengthen the existing contract management/clienting relationship in summary these were that:-
- the Council retains its own Monitoring Officer role and that
 - the IAA is reviewed to clarify the delegation of legal functions to HBPL
- 1.56 Actions taken to address these concerns will be reported to Policy and Resources Committee at its meeting on the 14 February 2015.
- 1.57 **Public Health** - Following the transfer of Public Health responsibilities to Barnet on the 1st April 2013, Barnet and Harrow undertook to enter into a shared local government public health service. This service is known as the Joint Public Health Service ("JPHS") and it manages the provision of Public Health services to the communities of both boroughs. This relationship is also governed by an Inter-Authority Agreement.
- 1.58 In the last year, and following an internal audit into the governance of the JPHS the original IAA was amended to ensure that the Commercial Team had sufficient oversight of the contract management and delivery of the IAA. This meant strengthening the governance structure, to its current shape which is:
- The commercial team are responsible for ensuring that the JPHS priorities within the Corporate Plan are considered within the Management Agreement and that associated CPIs and KPIs are being delivered.
 - The Public Health Governance Board is responsible for overseeing whether the Inter-Authority Agreement requirements are being met and whether the Public Health shared service Management Agreement priorities are progressing adequately. The Joint Public Health Governance Board is also responsible for monitoring, reviewing and resolving contractual issues relating to the delivery of the shared public health team.
 - Responsibility for ensuring that the JPHS is held to account by Members is the remit of the Performance and Contract Management Committee
- 1.59 Oversight and challenge to the performance of the KPIs and CPIs challenge is performed by:-
- Reviewing the KPI submissions on a quarterly basis. These reviews include checking for anomalies and challenging unusual or unexpected trends in the data submitted. The Commercial Team regularly reviews KPI data quality sheets against the KPI reporting table to ensure that submissions accurately reflect the requirements of the contract. KPIs/PIs are benchmarked (where possible) against other leading London Local Authorities with the aim to continuously improve and make it to the top of the league board. The overall quarterly performance is

further scrutinised and challenged at the Performance and Contract Management Committee.

- Annually reviewing and aligning KPIs targets for the Management Agreement. This was particularly relevant during 13/14/ as the JPMS inherited a number of contracts from the NHS which did not align to our reporting period. A full review of the entire suite which included clarifying the data methodology and ensuring data collection timescales are consistent with quarterly reporting requirements has been undertaken and the JPMS have then renegotiated the Performance Indicators for the 2014/15 with its relevant Service Providers. Performance is both reported to the Public Health Governance Board as well as to the Council's Performance and Contract Monitoring Committee.

- 1.60 **Barnet Homes** – The Council owns approximately 15,000 tenanted and leasehold properties managed by Barnet Homes Limited, an Arm's Length Organisation (ALMO) established in April 2004. The Council pays a management fee while retaining responsibility for the overall Housing Revenue Account. Barnet Homes has successfully delivered the Decent Homes programme and improved tenant satisfaction, and in 2010 the Council agreed to keep the ALMO and explore the potential for Barnet Homes to provide additional services.
- 1.61 From April 2012, Barnet Homes, through the Barnet Group was contracted to provide the homelessness and housing advice services (Housing Needs and Resources) previously provided by the Council. The original 10-year Management Agreement expired on the 31st March 2014. The Council was granted approval by the Homes and Communities Agency for the extension of the Management Agreement until March 2015.
- 1.62 The Council has developed a one year Delivery Plan, approved a 2012-2015 Housing Commissioning Plan and a Draft Housing Strategy, which is currently out for public consultation to be reported back on 22 April 2015.
- 1.63 The PI suite was revised for the 2014/15 Delivery Plan (one year Management Agreement) and these were presented to a previous meeting of this committee. These are outcome-focused and risk-based. They consist of Corporate, Key, and Customer Experience PIs all for onward reporting to this committee, with lower level Management PIs reported to the Commercial Team.
- 1.64 The Delivery Plan also sets the performance management framework which consists of Monthly Performance Review Meetings, Quarterly Strategic Review Meetings and 6-monthly Partnership Meetings:
- 1.65 The Monthly Performance Review Meetings involve the Council, supported by CSG Finance and Re and this challenges the Barnet Homes Management Team on current performance and delivery. The Meeting reviews all Performance Indicators as well as projects, risks, issues, change requests, finance, customer experience and equalities.

- 1.66 The Partnership Group agrees key objectives and strategic direction of the partnership; considers growth and new opportunities to help LBB and TBG to meet their corporate objectives; reviews progress of TBG against its Business Plan and its contribution to the LBB Corporate Plan; receives feedback on LBB key projects and objectives; and, resolves strategic disputes that cannot be resolved by the Barnet Homes Strategic Review Group.
- 1.67 The Strategic Review Group, subject to the Partnership Group above agrees strategic direction and priorities of Barnet Homes; receives feedback on key strategic issues from the partnership; reviews the outcomes and objectives of the agreed Delivery Plan and the performance of the partnership; Is the main resolution point for disagreements or clarifications of instruction, including change control requests; and, reviews by exception intervention areas, recovery plans or emerging issues of concern.
- 1.68 In addition to these meetings there are monthly finance meetings involving LBB finance, CSG and Barnet Homes' finance officers. There are also monthly Homelessness project team meetings between Barnet Homes, LBB Lead Commissioner, Re and the Commercial Team.
- 1.69 **NSL** – The parking contract was awarded to NSL in 2011, The scope of services included in this contract are as follows:
- The enforcement of parking restrictions both on and off street, including the issuing of PCN's by CEO's
 - The review and issuing of PCN's from CCTV camera observations for bus lane contraventions
 - Administration of PCN processing, including, processing payments, receiving, logging, reviewing and responding to informal representations and other non-statutory correspondence, responding to formal representations and appeals following approval, making DVLA enquires, debt registration and management of Warrants
 - Reacting to specific enforcement requests from the public
 - Debt vetting prior to registration of any debt and commissioning and managing bailiff companies engaged in debt collection
 - Processing and banking all PCN payments
 - The provision of a cashless parking payment service
 - Banking and reconciliation of all payments via multiple payment streams
 - Inspection and minor maintenance of parking infrastructure and reporting defects to the authority
 - Inspection of potentially abandoned and untaxed vehicles and liaison with the Council's removals contractor
 - Commission and maintain a specialist Parking IT management system

- 1.70 The contract is based on a Target Cost plus a performance payment. The target cost is essentially a breakdown of the costs incurred by the Service Provider in providing the service. The performance payment is a percentage applied to the target cost. Both the target cost and the performance percentage to be paid to the service provider is based on the bid submitted by NSL.
- 1.71 The main principle of a Target Cost Contract is that the Service Provider receives a share of any savings and pays any excess when the final cost is compared to the Target Cost. The provision is designed to motivate the Service Provider to investigate and propose changes in the way the Services are provided that will reduce the Actual Cost while maintaining or improving the service levels defined by the Key Performance Indicators (KPI's).
- 1.72 In reality NSL have struggled to identify cost savings and have had no option but to incur additional costs (not recovered from the Council) due to the need to increase resources in order to accommodate the volumes of work to ensure achievement of the KPI requirements.
- 1.73 The contract incorporates a Payment Mechanism and this identifies the performance payments that are due to the contractor as and when performance meets the suite of KPI targets. Therefore the overall performance of NSL has financial implications (both in terms of increases and deductions) dependent on whether KPI's have been fully met. The payment mechanism is therefore designed as a remedy under the contract for poor performance but equally acts as a reward for good performance and as such it provides a good incentive for the contractor to perform well.
- 1.74 NSL must submit draft monthly reports of its performance against each of KPI's. These reports are scrutinised by the Council's parking client team and the performance report is discussed and the performance position agreed by the Council's Representative at monthly performance review meetings with NSL.
- 1.75 Payment is made against the certified amount approved by the Council's Representative each month. The certified amount will consist of three parts:
- Monthly proportion of the annual Target Cost as defined in the Target Cost Schedule.
 - Any changes authorised by the Council's Representative due to variations or Special Events undertaken by the Service Provider.
 - Performance Related Payment against the achievement or otherwise of the Key Performance Indicators
- 1.76 Within the Commercial Team is the Parking Client, a small team who's role is to manage and monitor the NSL contract. All officers within the client team have a key role to play in regard to monitoring the delivery of the Key Performance Indicator requirements.

- 1.77 The team use a number of mechanisms to monitor performance including interrogating the ICES Parking system, dealing with complaints and correspondence and considering Representations and Appeals. The ICES system holds records of all Penalty Charge Notices (PCN's) issued by NSL and records the history related to each one. As there is a defined statutory process for issuing and processing PCN's the history log is a very good source of information in terms of checking compliance as is the process of receiving and considering Representations and Appeals. The Representations and Appeals process identifies where due process has not been followed by NSL and where this leads to the cancellation of a PCN this is directly linked to a number of KPI's, although there is a tolerance that is applicable.
- 1.78 It is important to ensure that all Civil Enforcement Officers (CEO's) enforce the parking controls fairly, accurately and consistently and by so doing each PCN is considered to be a good quality PCN as it has been served fully in accordance with the regulations. It is equally important that the back office processing procedures comply with statutory timescales and that sufficient evidence and records are maintained. Provided this is the case it is less likely that a PCN will need to be cancelled when a challenge is made in regard to its validity and process.
- 1.79 It is acknowledged that there were some problems within the first 2 years of this contract however the performance of NSL has improved over time. There were a number of issues arising including a slow start, which is generally expected during the transition of a new contract and there were some teething problems encountered with the old parking IT system Civica CE, which had unfortunately been a contributory factor to some performance failures over the first two years.
- 1.80 The Parking Client team continually monitor the effectiveness and the compliance within each patrol by the use of the contractual KPIs and where changes in parking patterns are identified this is discussed with NSL and alternative more effective solutions sort and agreed.
- 1.81 **Street Lighting Private Finance Initiative (PFI) Contract:** This PFI Contract was awarded to Barnet Lighting Services (BLS) in April 2006 as a 25 year contract. PFI contracts differ from the traditional type of contract as the Service Provider takes on additional responsibilities and risks. The contract documentation is output based with the authority identifying the required lighting standards for each road and the required response times in dealing with defects, contract management, administration and correspondence. It is for the Service Provider to identify how he will achieve the outputs by a series of method statements, which are contractual.
- 1.82 The authority role is to act purely as a monitor of performance against agreed contract requirements and, in order to achieve this the Contract Monitoring team was established which now sits within the Commercial Team.
- 1.83 The Street Lighting PFI Contract includes eight performance standards that the Service Provider must achieve in order to receive full payment; PS1 – PS8.

Each Performance Standard is further sub-divided into separately measurable items accounted for in the Monthly Monitoring Report each Month of the Contract.

- 1.84 Each of the performance standards has a number of clearly identified performance targets which are linked directly to a Payment Mechanism.
- 1.85 The payment mechanism is built upon having a variable payment stream, according to; availability of lighting of a standard equal to or better than the prescribed intervention level; performance in terms of the proportion of lights working as planned at night; quality of lighting; response to faults; maintenance of information systems; interaction with the public and the Council and; reporting of performance.
- 1.86 The payment to the Service Provider was ramped over the first five years of the contract to reflect the installation of the new lighting apparatus as it came on stream. This payment method incentivised the Service Provider to perform in accordance with the CIP installation programme.
- 1.87 Each of the Performance Standards has an equivalent Performance Target in the Payment Mechanism. Failure to perform in accordance with the targets leads to the possibility of financial adjustments (deductions) being applied to the monthly payment to the Service Provider. The adjustments are devised such that the poorer the performance the larger the adjustment sum is. If the level of performance is particularly poor there are also Service Default Termination Points (SDTP) which may accrue. Should the Service Provider accrue 3 or more SDTP's in one month the authority could terminate the contract.
- 1.88 The PFI Contract Monitoring team consists of a Contract Representative (Infrastructure and Parking Manager) who oversees operations and a team of two consisting of an Operational Contract Manager and a Senior Technician. Day to day checks are carried out on site and the MIS is interrogated to identify whether works are being carried out in accordance with agreed method statements, whether works are on time or late and whether the quality of works is appropriate to the contract requirements.
- 1.89 The MIS is interrogated daily to identify how the contractor is performing and to produce reports which can be compared to the Monthly reports produced by the contractor for the monthly Monitoring meeting. Monthly Monitoring Meetings are held at which the authority and Service Provider review the performance and agree on the payment due having regard for the requirements of the Payment Mechanism.
- 1.90 Since May 2103, the Service Provider has completed the targeted installation of the central management system (CMS). The implementation of the CMS project was, primarily, to permit the authority total management control over many aspects of its street lighting assets, including the level of light output and consequent consumption of electricity. Street lighting is now consuming approximately 33% less electricity following installation of the CMS. This reduction in electricity consumption is providing £400k of budgeted savings

from reduced electricity bills, as well as making a significant contribution to the reduction of the council's carbon footprint.

- 1.91 The contract monitoring team are currently working on proposals, jointly with the Service Provider, to determine areas where additional savings may be available from contract, operational and service delivery efficiencies. These include; utilisation of the CMS for operational reporting; reduction in night scouting; modifications to routine and non-routine maintenance activities; introduction of LED lighting units to borough footpaths and other areas.

2. REASONS FOR RECOMMENDATIONS

- 2.1 To allow scrutiny of the information requested and to allow some discussion and feedback from the committee on the position reported.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

- 4.1 This will be dependent on the feedback received from the committee.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

Each of the relationships that are reviewed in this report make a contribution to the delivery of the Council's Corporate Priorities of *Better services with less money* through contracting for guaranteed standards and levels, whilst at the same time reducing the operational costs of the service and *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.

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

- 5.2.1 Robust budget and performance monitoring plays an essential part in enabling the organisation to deliver its objectives efficiently and effectively. This report sets out how these activities are undertaken.

5.3 Legal and Constitutional References

- 5.3.1 Under the Council's Constitution Scheme of Delegation, the Performance and Contract Management Committee has the following responsibility for functions:

(1) Overall responsibility for quarterly budget monitoring, including monitoring

trading position and financial strategy of Council Delivery Units.

- (2) Monitoring of Performance against targets by Delivery Units and Support Groups including Customer Support Group; Re; the Barnet Group Ltd (including Barnet Homes and Your Choice Barnet); HB Public Law; NSL; Adults and Communities; Family Services; Education and Skills; Street Scene; Public Health; Commissioning Group; and Assurance.
- (3) Receive and scrutinise contract variations and change requests in respect of external delivery units.
- (4) 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.
- (5) Specific responsibility for the following functions within the Council:
 - Performance

5.4 Risk Management

- 5.4.1 The Council maintains its own separate risk logs for all major contracts, which are informed by the risks reported by each partner. The Council's risk log for each contract are published in the council's quarterly performance reports and reported internally and externally as part of the routine performance cycle.
- 5.4.2 Each partner reports their risks at least monthly to the Council for review by the commercial team and respective contract boards.

5.5 Equalities and Diversity

- 5.5.1 Each contract places obligations on our partners to support the Council in carrying out its public sector equality duty (as set out in the Equality Act 2010). This means having due regard to the need to:
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - b) advance equality of opportunity between those who share a relevant protected characteristic and those who do not;
 - c) foster good relations between those who share a relevant protected characteristic and those who do not.
- 5.5.2 The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.
- 5.5.3 Effective contract management is vital to ensuring that the Council's duties under the Equality Act 2010 are supported by its partners.
- 5.5.4 Equality performance is monitored by collecting data on service usage,

customer feedback and specific performance indicators. Where service changes affecting residents or service users are proposed, equality impact assessments will be undertaken, and where needed, these will include consultation with residents or service users.

5.6 Consultation and Engagement

None

6. BACKGROUND PAPERS

None