

	<p><b>Performance and Contract Management Committee</b></p> <p><b>6<sup>th</sup> September 2016</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Year Three Review of Customer and Support Group (CSG) Contract</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Interim Chief Operating Officer</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A: Draft Desired Outcomes</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Caroline Woolf – Commercial Director  <a href="mailto:caroline.woolf@barnet.gov.uk">caroline.woolf@barnet.gov.uk</a></p> <p>Deborah Hinde – Contract Review Manager  <a href="mailto:deborah.hinde@barnet.gov.uk">deborah.hinde@barnet.gov.uk</a></p>

<p><b>Summary</b></p>
<p>At its meeting on 7<sup>th</sup> January 2016, the Performance and Contract Management Committee considered a report outlining the proposed arrangements and recommendations for conducting a year three review of the CSG contract, in accordance with clause 10.3 of that contract. The review is designed to give both parties to the contract (Capita Business Services Ltd and the Council) an opportunity to review overall performance; consider what is going well; and identify areas for improvement.</p> <p>The Committee agreed at that meeting that the review should be undertaken and established a working group of the Committee for the purpose of conducting the review.</p> <p>At its meeting on 31<sup>st</sup> May 2016, the Performance and Contract Management Committee considered a report setting out the progress that had been made on the review and seeking endorsement of the project brief.</p> <p>The purpose of this report is to provide a further update for the Committee on the progress of the review.</p>

## **Recommendations**

**1. That the Committee note the content of the report.**

**2. That the Committee note and comment on the draft desired outcomes from the review, at Appendix A to the report, that have been agreed by the Member Working Group.**

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

- 1.1 The CSG contract commenced on the 1<sup>st</sup> September 2013 and allows for a review at the end of year three. The contract states that the review should take place within 40 business days of 1<sup>st</sup> September 2016.
- 1.2 The review is designed to give both parties an opportunity to: consider what is working well; identify areas for improvement; and to consider the changing needs and priorities of the council.
- 1.3 At its meeting on 7<sup>th</sup> January 2016, the Performance and Contract Management Committee considered a report outlining the proposed arrangements for conducting this review. The Committee agreed that the review be undertaken and established a working group of the Committee for the purpose of conducting the review and reporting its findings to the Committee on conclusion.
- 1.4 At its meeting on 31<sup>st</sup> May 2016, the Performance and Contract Management Committee considered a report on the progress of the review and endorsed the project brief that had been agreed by the Working Group and was appended to that report.
- 1.5 The project brief confirms the overall aim of the review as being to ensure that the CSG contract remains fit for purpose in the period to 2020, recognising that the strategic context within which the contract operates has changed significantly since it was signed in 2013.
- 1.6 It identifies the main objective of the review as being to secure a formal agreement with Capita Business Services Ltd, by 30 November 2016, on any changes that the Council requires to the Customer and Support Group contract to deliver:
  1. Maximum benefit from the opportunities that exist for the in-scope services;
  2. Improvements in the performance of the in-scope services;
  3. Budget savings;
  4. The priorities set out in the Council's corporate plan; and
  5. Ongoing flexibility and responsiveness to address changing and emerging needs in the future.
- 1.7 In addition, the review will seek to identify:

1. The benefits and achievements that have been realised through the contract; and
2. Any changes that the Council should make to improve its management of the contract and ensure that its activities add value to the contractual arrangements.

1.8 Members of the Working Group are:

Councillor Geoffrey Cooke  
Councillor Anthony Finn (Chairman)  
Councillor Sury Khatri  
Councillor Kathy Levine  
Councillor Peter Zinkin

1.9 The role of the Member Working Group is to:

- provide strategic direction to the review
- agree the overall aims, objectives and desired outcomes of the review
- consider and challenge the evidence
- agree the dialogue strategy
- agree the recommendations to Committee

1.10 The purpose of this report is to further update the Committee on the progress of the review.

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

1.12 The review is focussed primarily on future requirements, whilst acknowledging the benefits of identifying and articulating both the successes and frustrations experienced by both parties during the first three years of the contract, with a view to maximising the likelihood of the contract succeeding in the future.

1.13 Over the last few months, the council's Senior Responsible Officers (SROs) for each service within the contract have been reviewing performance against the contract in terms of:

1. Delivery of contractual commitments;
2. Compliance with output specifications; and
3. Compliance with method statements.

1.14 Based on these assessments, SROs then prepared a SWOT (strengths, weaknesses, opportunities and threats) analysis for each of their service areas, along with identifying a range of opportunities for service development and cost reductions or income generation. These were agreed with CSG service leads and then subjected to review and challenge by the project team,

prior to them forming the basis of a presentation pack to the Member Working Group.

- 1.15 Alongside this work, the project team carried out a series of interviews and workshops with commissioning and delivery unit directors, assistant directors, managers and staff to seek their views on what is working well with the services and what needs improvement. There has also been consultation with schools. The outcomes of these interviews and workshops informed the review and challenge sessions with SROs and CSG service leads.
- 1.16 At their meetings on 25<sup>th</sup> May 2016 and 5<sup>th</sup> July 2016, the Member Working Group considered the resulting service review presentation packs for each service and, following discussion and challenge, confirmed the opportunities that they wanted officers to progress.
- 1.17 At these meetings, the Working Group also received updates on the progress of the review and considered papers setting out some of the key commercial arrangements contained in the contract.
- 1.18 Based on the outcomes of these meetings, officers have been progressing the development of detailed proposals in dialogue with CSG colleagues.
- 1.19 The Working Group meeting on 25<sup>th</sup> July 2016 was held in public and sought the views of residents, traders and local businesses about the contract. Four residents submitted statements about their experiences of the services provided under the contract. One resident presented their views to the meeting and subsequently provided a copy of their presentation. At the meeting, Members considered the statements that had been submitted and identified a number of areas that required further attention as part of officers' continuing work on the review.
- 1.20 At its meeting on 4<sup>th</sup> August 2016, the Working Group considered a presentation pack summarising the performance of each service covered by the contract. This pack identified, for the contract to date:
  - Progress on delivering contractual commitments
  - Service cost
  - Performance against key performance indicators (KPIs)
  - Any performance remedies applied
  - Key service risks
- 1.21 Based on their consideration of the service reviews and performance assessments, the Working Group agreed a range of draft desired outcomes for the contract review and tasked officers to proceed with securing these, in dialogue with CSG colleagues. It was acknowledged that the desired outcomes may be modified, as the group considers further evidence. The list of draft desired outcomes, for the contract as a whole and for each service within it, is attached as Appendix A and the Performance Contract Management Committee is asked to note and comment on this list.

- 1.22 At that meeting, the Working Group also considered a paper setting out the current arrangements for ensuring value for money from expenditure incurred in supporting the delivery of capital, transformation and ICT projects. This expenditure is not included in the core contract price and varies from year to year, depending on what projects are commissioned by the council. The Working Group agreed a number of opportunities for securing further assurance on the value for money achieved through this expenditure, for further exploration by officers.
- 1.23 A further meeting of the Working Group will take place on 27<sup>th</sup> September 2016, for the purpose of conducting a more detailed assessment of the ICT service.
- 1.24 The Working Group will then consider the outcomes of the dialogue process at its meeting scheduled for 24<sup>th</sup> October 2016, at which the Group will also confirm the key findings and recommendations from the review, which will be presented to the Performance and Contract Management Committee at its meeting on 15<sup>th</sup> November 2016. Appended to that report will be the full set of evidence on which the Working Group has based its findings and recommendations, including the presentation packs referenced above.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 A key element of effective financial management is to plan ahead to ensure the council is well placed to meet future challenges. Conducting the CSG contract review will ensure it continues to deliver savings and is aligned to the council's future strategic objectives.

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

- 3.1 None.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Work is continuing on the review and its outcome will be brought back to this Committee for agreement in order to change the current CSG contract, as set out at section 1.24 of the report.

## **5. IMPLICATIONS OF DECISION**

### **Corporate Priorities and Performance**

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

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

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

- 5.2 The CSG contract, including managed budgets, has a value of £321m over the life of the contract. The contract is to deliver savings of approximately £70m over a ten year period on the core services that transferred. £13m of this has been delivered, as at the end of 2015/16.

### **Social Value**

- 5.3 The potential to achieve further social value from the contract will be addressed in the review process.

### **Legal and Constitutional References**

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

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

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

- Where the modifications, irrespective of their monetary value, have been provided for in the initial procurement documents in clear, precise and unequivocal review clauses, which may include price revision clauses or options, provided that such clauses:
  - State the scope and nature of possible modifications or options as well as the conditions under which they may be used; and
  - Do not provide for modifications or options that would alter the overall nature of the contract...'

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

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

### **Risk Management**

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

5.9 The council's future savings proposals as set out in its Business Planning report require a fundamental change in the way the council's services are delivered. Ensuring the contract with CSG remains aligned to the priorities of the council will ensure key services like Human Resources continue to support staff in the organisation. Otherwise there is a risk that the contract becomes inflexible to the needs of the organisation.

### **Equalities and Diversity**

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

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

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

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

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

This is also what we expect of our partners.

5.13 This is set out in the Council's Equalities Policy together with our strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.

- 5.14 The equalities implications of detailed proposals will be considered as part of the development of those proposals and identified in the report to the Performance and Contract Management Committee in November 2016.

### **Consultation and Engagement**

- 5.15 Engagement will take place in accordance with the consultation and engagement plan referred to in paragraph 1.19 of this report.

### **Insight**

- 5.16 The use of benchmarking data, where relevant and available, will be considered as part of the review.

## **6. BACKGROUND PAPERS**

- 6.1 Performance and Contract Management Committee, 31 May 2016 – Agenda Item 13 – Year Three Review of Customer and Support Group (CSG) Contract  
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=8412&Ver=4>
- 6.2 Performance and Contract Management Committee, 7 January 2016 – Agenda Item 10 – Fundamental Review of Customer and Support Group (CSG) Contract  
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=8407&Ver=4>
- 6.3 Approval of NSCSO full business case:  
<http://barnet.moderngov.co.uk/documents/s6649/NSCSO.pdf>