Full Business Case (FBC): DRS

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Approvals

By signing this document, the signatories below are confirming that they have fully reviewed the Full Business Case for Development & Regulatory Services (DRS) project and confirm their acceptance of the completed document.

Name	Role	Signature	Date	Version
Andrew Travers	Interim Chief Executive			

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Glossary

Reference	Full Description
DRS	Development & Regulatory Services
CSL	Capita Symonds Ltd
The council	London Borough of Barnet Council
TUPE	Transfer of Undertakings (Protection of Employment)
JV	Joint Venture

1. Executive summary

In March 2011 Cabinet Resources Committee approved the Outline Business Case for the Development and Regulatory Services (DRS) project. This recommended that the council undertake a procurement process to identify a strategic partner for the delivery of the following services:

- 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

A ‘competitive dialogue’ procurement process has since been completed to identify the best partner for these services. Final Tenders have been received from two bidders – Capita Symonds (CSL) and EC Harris. The outcome of the evaluation is a recommendation that the council proceed with CSL as Preferred Bidder, to form a joint venture with the council to deliver DRS services.

The Final Tender submitted by EC Harris did not score as highly as CSL’s bid. Evaluation has shown, however, that EC Harris would acceptably deliver the council’s stated requirements and it is also recommended that the EC Harris tender is designated as a reserve bid, which the council may return to should it not be able to finalise a deal with CSL’s.

This Full Business Case demonstrates how the Final Tender from CSL enables the council to:

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

CSs Final Tender contains a range of contractual guarantees to deliver or exceed the targeted benefits from the Outline Business Case Update approved by Cabinet Resources Committee in December 2011. The offer and key benefits are described below.

Offer Summary

Contractual basis	Joint venture to be formed by CSL and the council which will contract with the council for the provision of the DRS services
Term	10 years initial term, with a council option for a 5 year extension
Financial benefits	• £39.1m over 10 years guaranteed, derived from a mixture of cost savings and income growth • £8.2 of investment in services • Medium term financial strategy exceeded
Key service commitments	• Delivery of 66 key performance indicators related to the 11 services in scope and council policies. • Compliance with 11 detailed output specifications. • Delivery of detailed service delivery plans proposed by the bidder and agreed in dialogue.
Commercial highlights	• Key performance indicators linked to the level of payment • Any profit that is above target made by the provider to be shared with the council • Price indexed against the local government pay awards and the consumer prices index • Price may vary up or down dependant on service volumes for some services • Large potential for further benefits from existing and new income streams, plus selling services to other authorities
Contractual elements	• Services contract between the joint venture company and the council • Joint venture shareholders agreement • NSCSO Interface Agreement (the mechanism to manage the relationship between the NSCSO provider, DRS provider and the council) • Small works construction contract for repairs at Hendon cemetery and crematoria
Staffing impacts	• Transfer of employment to new provider under the Transfer of Undertakings (Protection of Employment) Regulation 2006 • New provider to honour the council's TUPE Transfer Commitments • Training, leadership development programmes, Continuous Professional Development and skills enhancement, Succession planning and talent management • Opportunities to work on innovative and new projects • £500 per person per annum, average 5 days per person per annum to be invested in training and development over the life of the contract • Commitment to adding commercial skills and acumen to the services to enable individual development and growth of the business • 30 additional posts brought into Barnet for the first year of the contract • 30.1 posts removed from year 2 FTE figures then shown as stable for the remainder of the contract
Reviews	Benchmarking will be carried out in year 4 and year 7, plus one other time per service at the council's election during the term. Year 7 will be a comprehensive review to feed into decision making

	related to any possible contract extension

1.1. Financial benefits

In total, the guaranteed cashable financial benefit from entering into a joint venture arrangement with CSL would be £39.1m over a 10 year period. This exceeds the business case target by £12.6m. This does not include the additional financial benefits discussed below.

Contract savings
The Outline Business Case Update (December 2011) set out an expectation of financial benefits from the core services totalling £26.5m over a 10 year period. CSLs' offer includes guaranteed financial benefits of £39.1m over the contract term, delivered by a combination of cost reductions on the services specified in the output specifications (£5.3m) and net income growth (£33.8m).

This results in bringing the net cost of these services to the council down from £45m to £6m over the 10 year contract term (£4.5m to £600k per annum).

Impact on the council's Medium Term Financial Strategy
The Medium Term Financial Strategy originally set DRS services a target of a £2.78m reduction in the current council base budget for the first two years of the contract. CSL's offer amounts to £2.80m for the first two years of the contract (2013/14 and 2014/15) and therefore meets the target.

As part of our annual budget planning, the Medium Term Financial Strategy has been updated to include proposed savings up to 2015/16. This resulted in an additional savings target for DRS of £0.4m. This is currently out for consultation for the period 2014-16. This makes the new target £3.18m of savings in the first three years of the contract. CSL's offer includes savings of £4.06m by 2015/16, which comfortably exceeds the expected target.

Guaranteed investment
CSL's proposal also includes (within the financial offer described above) approximately £8.2m investment in areas such as information technology (computer hardware and software), building infrastructure and training. This investment not only enables CSL 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.

Additional financial benefits
In addition to these guaranteed financial benefits on core services, the CSL offer includes additional commercial proposals that potentially generate further financial benefits to the council over the contract term. The council's view is that this could potentially generate further financial benefits of several million pounds over the contract term. In practice this may result in additional business cases being presented to Members for approval, however there is no obligation on the council to approve specific business cases and there is no impact on the guaranteed financial benefit.

1.2. Non-financial benefits

Benefits for residents
CSL commit to providing Barnet's residents with an improved and more efficient range of development and regulatory based services. This will be achieved through:

- establishing a dedicated customer services team across all DRS services, supported by new technology, to provide quicker access to services and information. As part of this CSL will invest in new online services and self-service including case work tracking, reporting of local issues and complaints monitoring

- forming a joint venture with the skills, capacity and leadership to co-ordinate the delivery of local services, focus on areas of need and achieve better outcomes for residents including employment and health prospects. As part of this, CSL will initially fund £250,000 in a Barnet Observatory to understand social and economic trends and use this to best meet local needs. The total investment in the Barnet Observatory will be £1.04m over ten years.

- significant investment in best-in-class technology and staff capability to enable more efficient and responsive delivery and a customer focused working culture.

Benefits for Members
CSL will provide Members with support in their functions as required, including a dedicated Member liaison service. This team will act as a single point of contact for Members for DRS services, answering enquiries, tracking cases and keeping Members informed.

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

Full policy and budgetary control and democratic oversight will be maintained.

Benefits for community organisations
CSL will commit to a range of initiatives to support community and voluntary sector organisations. This includes establishing local user forums to engage with communities, supported by the appointment of Community Liaison Officers. CSL will also create a Barnet Revolving Fund with an initial investment of £200,000 and £40,000 per annum, aiming to make the most of available funding such as New Homes Bonus and Business Rates (NNDR) to benefit local communities.

Benefits for the local economy
CSL sets out significant investment proposals to stimulate and drive forward borough-wide growth, enterprise and renewal, by:

- offering new business support and advisory services to help local traders, give support to local town centre forums, and leading initiatives to reduce the number of vacant high street properties across Barnet compared to comparable boroughs

- finding new ways to secure funding, including setting an overarching performance measure to increase the success of Barnet in winning Central Government funding

- maximising the financial and economic benefits of new developments including increase receipts of New Homes Bonus, Community Infrastructure Levy and localisedBusiness Rate to fuel re-investment and deliver key infrastructure

- providing new capacity to accelerate project delivery and unlock stalled projects.

In addition, CSL have expressed an intention to use Barnet as the base for the provision of DRS services and using Barnet as the base to grow business in the wider region.

Benefits for transferring staff
The preferred Tender incorporates a significant number of commitments covering HR matters and organisational and professional development. These also include activities during the transition period to ensure that staff are welcomed and integrated into the joint venture in an appropriate way. All transferring staff will benefit from the TUPE Transfer Commitments which is a preservation of contractual terms and conditions for the first year post contract, and on-going access to their Local Government Pension Scheme, whilst working on the Barnet contract.

A schedule of proposed key service improvements is detailed in Appendix A covering each service area.

1.3. Recommendation

The evaluation of the Final Tenders from EC Harris and CSL 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 (see Section 9 - Table 9.2). It is recommended that CSL's Final Tender is taken forward to contract signature as the preferred bid.

The Final Tender submitted by EC Harris did not score as highly as CSL's bid. Evaluation has shown, however, that it would acceptably deliver the council's stated requirements. It is, therefore, recommended that the EC Harris Tender is designated as a reserve bid, which the council may return to should it not be able to finalise a deal with CSL.

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 to these services of £1.53m in 13/14 and £1.225m in 14/15 in order to meet immediate budget pressures;
- while the council could attempt to replicate the service efficiencies it is difficult to see how this would be achieved without additional investment

The council does not currently have sufficient capacity or expertise to guarantee that all of this can be achieved concurrently. CSL is offering these guarantees.

Therefore, the recommendation is to enter into a joint venture with CSL for the delivery of DRS services, with the intention of them commencing services following Cabinet decision / Post-Decision Scrutiny and a transition period.

2. Introduction and Strategic Context

The London Borough of Barnet, like all other local authorities, is facing an unprecedented reduction in finances (26% cut in funding from central government; latest budget gap of £49.8m for period 2013-16 reported to Cabinet in February 2013). The indications from Government are that further reductions will be made until at least 2017/2018, extending the current period of austerity to the end of the decade. At the same time Barnet's population continues to grow, and this is likely to continue at a significant rate in the next ten years as a result of regeneration in the west of the borough and endemic growth. This will lead to greater demands on frontline services, particularly those for adults and children with social care needs.

The One Barnet transformation programme was conceived against this backdrop, based around the following three principles:

1. A new relationship with citizens: services designed and delivered around customers' needs, provide the best possible customer experience, and enable customers to help themselves and each other including enabling self-service wherever possible.

2. A one public sector approach: services are in a position to support the requirements of all public sector partners and drive better multi-agency working.

3. A relentless drive for efficiency: operate as efficiently as possible to minimise the cost of the service and maximise the accessibility of the service to customers; be innovative and take advantage of evolving technology, thinking and practice; maximise the value the council achieves from all its assets (capital and revenue).

As part of this programme, the evaluation of options for the future delivery of a range of the council's development and regulatory based services became a priority. These services are:

- 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.

These services have a current gross cost (the baseline) of approximately £14m per annum. A large proportion of this cost is recovered from fees for services, such as planning applications, and from third parties, such as development partners.

The council has already delivered a number of internal improvement and transformation initiatives for these services. It has, however, reached the limits of its ability to deliver further savings without significant cuts and reductions in service levels or major investment to deliver efficiencies. Consequently, there is a need for a fundamentally different approach that will allow the council's strategic objectives to be delivered within the funding it has available.

2.1. Process to Date

In preparation of the Outline Business Case, seven different options for achieving the savings and performance improvements required were considered. These options were:

- private sector joint venture i.e. a new company owned by a partner and the council
- status quo plus
- incremental partnership
- shared services
- local authority trading arm
- strategic partnership i.e. an outsourcing to an aligned organisation
- management buy out

This appraisal found that a strategic partnership[1] with a private sector partner would offer the greatest benefit overall at that stage. It recommended that a procurement process was initiated for the services in scope, subject to the approval of the Outline Business Case. The Outline Business case was subsequently approved by Cabinet Resources Committee in March 2011. The Outline Business Case noted the conclusion of the appraisal and also noted that *"the possibility of establishing a joint venture (JV) with a private sector partner should not be completely discounted if it provides to be the most advantageous to the council during the procurement process."*

An Official Journal of the European Union (OJEU) notice for a competitive dialogue procurement was placed in March 2011. This stated that *"The London Borough of Barnet will select whichever service delivery model the competitive dialogue identifies as best meeting our desired outcomes. We will examine strategic partnerships and the option of setting up a legal vehicle jointly, e.g. a joint venture vehicle. We will be open to the discussion of other vehicles and will select our preferred model on the basis of best fit."*

This was followed by a Pre-Qualification Questionnaire down-selection, which identified those bidding companies with the technical and financial standing required by the council. Dialogue with six bidders commenced in June 2011.

Following the evaluation of Outline Solutions from four of the bidders (two bidders having withdrawn) and Cabinet Resources Committee approval of an updated Business Case on 14 December 2011, dialogue continued with 2 bidders - EC Harris and CSL. In the first wave of dialogue EC Harris were bidding in a consortium with FM Conway however, FM Conway withdrew following Outline Solution and EC Harris continued to bid on their own.
In the Business Case update approved by Cabinet Resources Committee in December 2011, the position of March 2011 was reconfirmed. It was also noted that a potential benefit of entering a joint venture would be the council securing an increased share of income generated by the contract.

On 2 January 2013 the competitive dialogue procurement process concluded with the submission of Final Tenders from both EC Harris and CSL.

[1] A long term partnership through which a commercial organisation takes on the management of one or more services for a Council, using its existing know-how, resources and capability and investing as required to transform processes and functionality within those services and takes an appropriate level of risk on the successful delivery of outputs and outcomes.

These Final Tenders have been evaluated by the council in accordance with the published evaluation criteria, and the highest scoring bidder is recommended as the council's choice for the DRS contract.

As part of the Invitation to Submit Final Tenders, both bidders were asked to submit a proposal which would include the creation of a joint venture with the council. Consequently, the contract will be between the council and a joint venture co-owned by CSL and the council.

The benefits of forming a joint venture with CSL are detailed in Table 3.1.

This Full Business Case sets out the financial and non-financial benefits offered by CSL in their Final Tender. These benefits exceed those forecast in the council's Outline Business Case. This Full Business Case also identifies how the council will assure the delivery of these benefits through the implementation and subsequent successful management of the contract.

The DRS bidders Detailed Solutions were received prior to the Cabinet approval of the NSCSO Preferred Bidder recommendation on 6 December 2012. For the Final Tender the DRS bidders were told that they couldn't offer savings related to a possible successful NSCSO bid in their DRS submission.

3. <u>The Joint Venture Approach</u>

This section of the business case explains sets out what the joint venture approach is in more detail and in the context of CSL's offer.

3.1. The Joint Venture Model

Due to new provisions in the Localism Act 2011, technically the council will need to first form its own wholly owned company to channel its interest into the joint venture company. So the council's shares in the joint venture company will be held by another company on the council's behalf, but in all other respects, the description of the model, the benefits and the approach in the CSL bid as outlined below are unaffected by this technicality.

The Joint Venture company will enter into a contract with the council for the provision of the DRS services (the contract would be the same whether it were directly with CSL or with the Joint Venture company).

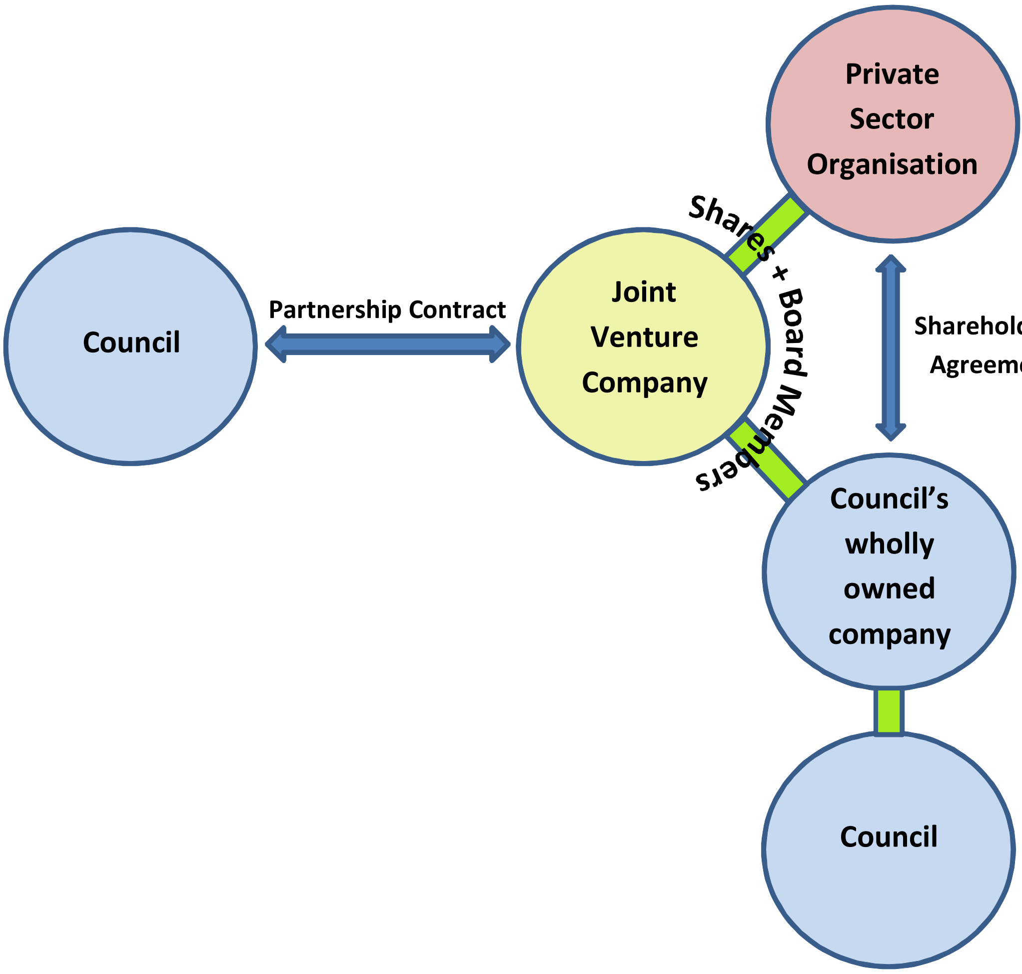
The diagrams below show how the strategic partnership model compares to the joint venture model.

Typical Strategic Partnership Approach

Under a typical strategic partnership approach the council would have a contract for the supply of services for an agreed commercial arrangement.

Joint Venture Approach

Under a typical joint venture approach the council and the private sector organisation would form a new company, with both owning shares in this new company (as noted the council's shares will be channelled through a separate wholly owned company). The council would then have a contract with this new company (the joint venture company) for the supply of services for an agreed commercial arrangement. The two shareholders will also have a shareholders agreement between them to set out their agreement on matters like Board composition and payment of dividends.



Why make use of a Joint Venture?

There are a number of benefits with the joint venture model as follows. The joint venture:

- enables the council to have a greater degree of control – with representation on the joint venture company's Board and as a shareholder the council would have a greater degree of control over the operation of the business
- provides the transparency that helps ensure the council receives any 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 DRS 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
- could continue to make profits after the end of the DRS 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 DRS contract.

As the council would be a shareholder in the joint venture company, and the joint venture company has the responsibility for delivering the DRS contract this would appear to transfer some of the risk and responsibility for the contract back to the council. However, a company limited by shares structure means that the financial risk of the council as shareholder is limited to its liability to subscribe for shares (which is a nominal amount). Moreover, the CSL's offer has been constructed so that the Joint Venture approach does not weaken the Council's guaranteed benefits or expose the Council to any additional significant risk. Ultimately the fulfilment of the contract is underpinned by a parent company guarantee provided by CSL and, in the case of service underperformance or financial loss, CSL or its parent company would be the responsible party.

Why make use of joint venture instead of a strategic partnership?

In the 2010 options appraisal the private sector strategic partnership model was the highest scoring option evaluated at that time based on the criteria set by the council but also recognised that a joint venture was a potential option, as reflected in the OJEU notice.

As a result of developments in dialogue meetings the joint venture option was reappraised as the offers emerging had qualities that meant that the potential benefits of entering a joint venture were higher than anticipated in 2010, and the risks were lower. The key feature that emerged during dialogue was the commercial potential that the bidders saw in the DRS services and their ability to provide these services for other Authorities.

The table below sets out some of the strengths and weaknesses that were considered in the 2010 options appraisal and provides a commentary on these based on the outcome of dialogue.

Table 3.1 - Benefits and Weaknesses

Benefit / Weaknesses[2]	Finding Through Dialogue
Benefits	
A joint venture structure encourages greater focus on achievement of a jointly agreed business plan, achieving goals and direct accountability for the performance of a joint venture's business.	**Expectation met** • CSL's final tender includes a Joint Venture Agreement that sets out that the joint venture will develop a business plan, based on the commercial development plan that formed part of the final tender. It will then undertake annual business planning to update this plan.
Joint ventures can offer both partners significant benefits, including sharing experience, skills, people, equipment and customer bases. They also allow for a sharing of commercial risk (and reward) between the venture partners.	**Expectation exceeded** • The Final Tender confirms that the council will be providing expertise in the services within the contract, with the associated staff group. • The Final Tender confirms that CSL will be providing commercial expertise, investment for IT and other equipment, and the potential to grow the customer base. • The Final Tender's Joint Venture Agreement confirms that CSL will underwrite the performance of the DRS contract. Should it fail to do this then a parent company guarantee would pass this obligation onto their parent company. • The Final Tender's Joint Venture Agreement confirms that the council will not be financially liable for the performance of the joint venture.
A joint venture promotes a greater level of diversification and organic growth using an increased pool of resources. Similarly, they provide the opportunity to give staff greater incentives to deliver, through the prospects of higher salaries and rewards such as bonuses or share options.	**Expectation exceeded** • The Final Tender includes a 'non-competition' clause, which not only means that the joint venture can grow as a result of increased resources, but <u>also</u> that CSL will not compete with it for that work within a specified geographic area within the South of England, covering over 150 councils, unless of low value, or has been assessed under an agreed process as not being appropriate for the joint venture to pursue or if the joint venture decides not to bid (and the council agrees) or the contract is already subject to a bid by CSL at the time of contract signature. • <u>In addition</u> to the above, CSL offer the opportunity to increase the skills and resource available to the joint

[2] London Borough of Barnet: <u>Development and Public Health Services (DPHS) Project: Options Appraisal Report, v4.0, pg 74</u>

	venture by moving approximately 150 staff into the joint venture. These staff would come from four of their existing businesses working in DRS related areas. This would accelerate the diversification and growth of the joint venture. N.B. this is subject to the council conducting thorough due diligence. The guaranteed benefits are not dependant on the council's acceptance of this proposal. • While potential for incentivisation of staff through salary and reward schemes is included within the joint venture Agreement, the council reserves the right to veto these above £150,000.
New benefit: Entering a joint venture increases the amount of income that the private sector partner is willing to underwrite.	**New benefit realised** • As a result of the joint venture approach and CSL's appreciation of the council's commitment to the success of the joint venture they were able offer a higher amount of guaranteed income, as opposed to unguaranteed income that it aims to achieve through trading.
Weaknesses	
There can be additional costs involved in setting up a joint venture and negotiating partnership arrangements.	**Weakness minimised** • The one-off cost of setting up the joint venture will be £100,000, which are more than offset by increased guaranteed income. • The on-going costs of council-side management of the joint venture have been absorbed into the council's revenue budget without any increase being required. • The on-going costs of CSL management of the joint venture are in line with previous management overheads being modelled for a strategic partnership. • The negotiation of partnership arrangements has been undertaken within the project budget approved by Cabinet Resources Committee.
The joint venture may be less effective if the parties involved have differing or conflicting governing expectations and objectives. Even though different institutions can sign up to a common vision and set of objectives, institutional priorities can still interfere.	**Weakness minimised** • The Joint Venture Agreement requires the Directors and Shareholders to approve the business plan annually thus ensuring that the company works in all shareholders' joint interests. • The joint venture agreement sets out at a high level business the aims of the joint venture. • The council's Director on the joint venture Board will not have a day to day role in managing the DRS contract which will be managed separately.

	• In addition to the above, the council has the right to veto a number of issues that are important to it, for example, borrowing above a certain level or the payment of dividends that exceed annual profits. The council can use these rights to protect its interests if required.
Problems can occur if there is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners. The result could be that one partner may dominate the other.	**Weakness minimised** • Both parties to the joint venture are making a significant contribution, for example the council is transferring a large number of highly skilled staff into the joint venture company providing it with the technical expertise it will need to fulfil the DRS contract and develop new commercial opportunities. CSL is contributing its expertise in delivering efficiency and maximising the commercial opportunities • The Joint Venture Agreement requires a business plan to be jointly agreed, thus ensuring that the company works in all shareholders' joint interests.
There can be inadequate identification, support and compensation of senior leadership and management teams within joint ventures.	**Weakness minimised** • The council and CSL will be represented on the Board of Directors. Details of who the Directors will be will be finalised during mobilisation. However, the council will appoint one Director and will also have the right to nominate the Chairman of the Board.
A local authority may not wish to be associated with a very profitable joint venture, or with a financially unsuccessful one potentially failing to deliver high profile services.	**Weakness minimised** • The council will hold the joint venture to the same contractual agreements as if CSL had been appointed through a strategic partnership. While reputational risk remains for the council in cases of under-performance, contractual remedy remains in place with the ultimate responsibility of delivery with CSL or their surety • The council will avoid excessive profit going to CSL through both its contractual arrangements and the joint venture agreement – if more profit than expected is made from the DRS contract the majority of this will go to the council, if more profit is made from activities outside Barnet e.g. from another outsourcing the joint venture secured, then the majority of that profit will go to CSL with a smaller proportion going to the council. This arrangement reflects the additional work CSL would need to contribute to the out of borough sales and the fact that the liability for delivery will remain with them.

The commercial model of the joint venture approach

Under the joint venture approach the commercial model related to the guaranteed financial benefits has many similarities to the strategic partnership approach.

In essence and in the same way with a strategic partnership, the supplier (which in this case is the joint venture company) contracts with the council to provide the services specified to the standards set out at an agreed price. In addition as these services generate income the contract also sets out the required minimum level of income they must provide to the council. The net cost to the council is therefore the price minus the guaranteed income. In addition, extra provisions have been included in the joint venture agreement to protect the council should the joint venture company not fulfil this agreement which ensures that the responsibility passes to the commercial partner or its parent company, not the council.

Where income is generated through trading – either of existing or new services, both within and outside Barnet, then the differences in the joint venture approach are more marked, albeit there are some similarities.

The table below helps to explain how the joint venture accounts for additional income generated from trading, which may include outsourcing deals with other Authorities.

Scenario	How the council benefits
More profit is generated from the DRS contract as a result of higher than anticipated income which exceeds costs	There is a contractual mechanism that splits this benefit between the council and the joint venture company. There is a further mechanism in the joint venture agreement that prevents the council from benefiting a second time on this element of profit if the joint venture declares a dividend (as the council has already obtained its benefit).
More profit is generated within the DRS contract as a result of lower than anticipated costs for planned levels of income	There is a contractual mechanism that splits this benefit between the council and the joint venture company. There is a further mechanism in the joint venture agreement that prevents the council from benefiting a second time on this element of profit if the joint venture declares a dividend (as the council has already obtained its benefit).
Profit is made on other trading by the joint venture company, such as outsourcing of other Authorities' services	If as a result of other contracts which the joint venture company wins and delivers it generates a profit then the shareholders i.e. the council and CSL, will share these as profits at the end of the year as dividends in agreed proportions. The proportions differ based on a simple test related to the involvement of the council in the winning of the contract.

In light of the above matters, the joint venture approach is considered to be the most advantageous model for the council for the delivery of the DRS contract.

Tax note regarding joint venture

There are no tax implications for the guaranteed financial benefits of making use of a joint venture.

An element of any additional financial benefit made that is due to the council over and above the guaranteed amount may be subject to corporation tax. Following external tax advice, the council have incorporated provisions into the contract to ensure that additional income generated from the Services within Barnet is retained by the council rather than by the Joint Venture, which ensures that this benefit is not subject to corporation tax.

The benefit the council can extract in this way is likely to exclude profits made from other major contracts the joint venture may win outside Barnet. This profit, if made, would be paid to the council by way of a dividend on taxed profit in the joint venture. The joint venture approach gives the council a higher probability of achieving further financial benefits and as a result the likely benefits outweigh the costs.

3.2. Updated Options Appraisal

Both bidders have produced Final Tenders based on the joint venture approach that meet, and in places exceed, the benefits in that Outline Business Case.

The table below presents four options that are now available to the council. Option 2 (proceed to contract signature with CSL and form a joint venture) is the only credible option to deliver the financial benefits, service levels, investment and strategic benefits that the council requires.

The risks associated with this option are set out in Section 6 along with related controls and mitigating actions.

Table 3.2 - Refresh of Options Appraisal Summary for DRS

Option	Advantages	Disadvantages
1. Do nothing - abandon the procurement and retain the services in-house	• The council retains complete control over service delivery and how savings are achieved • The council would avoid the effort involved in transferring the services and setting up a joint venture and contract management team • The council would avoid the risks of poor contractor performance and poor contract management • This leaves open the possibility of moving to a different option in the medium term	• The council has limited commercial capability to deliver the higher levels of income that would help meet the council's financial objectives • The services would have to be reduced in order to deliver the savings required by the Medium Term Financial Strategy, and this would severely jeopardise the ability of these frontline delivery units to work effectively and meet statutory requirements • Significant job losses would be likely to achieve the savings required • The council retains all risk relating to the quality of service delivery and how future savings are achieved • The council would still need to invest substantially in replacing some IS and building infrastructure which would add difficulty to meeting the Medium

Option	Advantages	Disadvantages
		Term Financial Strategy • The council would lose credibility with the marketplace inhibiting future procurements and expose itself to potential abortive cost claims from bidders
2. Proceed to contract signature and formation of a joint venture with the Preferred Bidder recommendation	• The council exceeds the financial benefits required by the Business Case Update • The council secures upfront investment in the technology and transformation required by the services to increase efficiency and improve service levels, particularly in customer interaction • The council transfers the risk of the quality of service delivery and the achievement of savings to the partner • The council benefits from the external expertise, innovation and commercialism of a long-term strategic partnership • The council is well positioned to benefit from aspirational financial benefits in addition to the guaranteed benefits • The council is able to hold the service provider to account pursuant to the contractual arrangement and incentivise performance through a price/performance mechanism	• The council has less direct control over the delivery of the services • A contract is limited in its ability to respond to change, but provisions in the contract allow for changes to be made as a result of reductions in government funding and also as a result of changes to legislation • Whilst the risk of delivering these benefits will be substantially transferred to the Partner under the contract, the council retains risk that may be broadly summarised as the partner fails to fulfil its contractual commitments
3. Proceed to contract signature on the Preferred Bidder recommendation, but reduce the scope of the contract	• The council can select those services the council believes would benefit most from outsourcing or carry least risk	• The Public Contracts Regulations (Regulation 18(29)) limits what an authority can do following close of dialogue to "clarify and confirm commitments" – reduction in scope may contravene this. • The size of the contract provided the bidders with scope to offer the council significant financial and

Option	Advantages	Disadvantages
		non-financial benefits. Reduction in scope would require recalibration of the deal and affect the attractiveness of the business case to both parties. This could potentially result in CSL walking away and initiating a legal challenge • Any reduction in scope of service also has to be considered in the context of the law governing procurement. Removing services from scope widens the field of companies who would have viewed themselves as having the requisite capability to deliver the contract, and there is a risk that such companies would bring legal action against the council for denying them opportunity to provide the reduced scope of services. This could result in the current contract being suspended or deemed ineffective and the council may have to undertake a further procurement exercise incurring further costs and time delays
4. Abandon this procurement and re-assess alternative delivery models (as identified in the Options Appraisal)	• council may avoid the effort involved in transferring the services and setting up a contract management team (dependant on the model chosen) • council would avoid the risks of poor contractor performance and poor contract management by the council	• This has the same disadvantages as option 1 • This would incur more funding from the council's transformation reserve than is budgeted for • This would further delay the timetable for releasing the savings required by the MTFS leading to immediate pressure over the next 12-24 months; • The council would need to build in substantial provision for the risk of not achieving the planned benefits. • The council would lose credibility with the marketplace inhibiting future procurements and expose itself to potential abortive cost claims from bidders

4. Expected Benefits

The Updated Outline Business Case approved by Cabinet Resources Committee on 14 December 2011 identified a number of benefits that the project would be required to deliver, in the following categories:

- Financial case
- Strategic benefits
- “A new relationship with citizens”
- “A one public sector approach”
- “A relentless drive for efficiency”

Service performance levels and output specifications
The provider is committed to delivering detailed output specifications across all service areas and as minimum, meeting current service level performance indicators. The output specifications set out all service activities and work steams currently undertaken and as required by statutory provision.

The provider is also incentivised to maintain and improve service levels by the contract. There is a contractual mechanism that allows the council to make financial deductions from the amount we pay the provider should key performance indicators not be met. The contract as a whole has over 60 such indicators to monitor service performance, policy compliance and delivery of and also wider performance such as achievement of strategic goals and adherence to council policies.

The benefits committed by CSL are summarised below in Table 4.1. Within the contract, these are evidenced and supported by detailed service delivery and improvement plans.

Table 4.1 Benefits provided by CSL’s offer

Contractual commitments in CSL’s Final Tender
Financial case To deliver a guaranteed financial benefit to the Authority that meets the target of £26.5m over the contract term. Financial benefit of £24.7m after internal project costs of £1.7m Benefits exceeded: • Guaranteed aggregate Net Financial Benefit Years 1-10 of £39.1m • Guaranteed financial benefit after internal project costs of £36.6m (current project costs projection of £2.5m) Further potential financial benefits to the Authority dependent on success of various growth initiatives Meet MTFS targets for base savings for 13/14 (£1.53m) and 14/15 (£1.255m): total of £2.78m The guaranteed financial benefit is contractually underwritten by CSL. A Parent Company Guarantee underwrites this benefit Cost reductions and income increases profile met and exceeded: CSL’s offer includes guaranteed savings of £1.54m in 13/14 and £2.80 in 14/15. Further base savings in subsequent years Potential additional financial benefit CSL’s offer includes guaranteed financial benefits of £39.1m. This is comprised of both cost reductions (£5.3m) and net income growth (£33.8m).

Contractual commitments in CSL's Final Tender

The CSL offer includes additional commercial proposals that potentially generate further financial benefits to the council over the contract term. The council's view is that this could potentially generate further financial benefits of several £m over the contract term.

Impact of volume change:
Variations in certain volumes lead to agreed increases in price as set out in the contract. CSL's offer includes price revisions if volumes fall outside the tolerance parameters of 95%-110% of base volumes.

For many volumes, however, there is no increase in core price as the volumes relate to income generating activity (e.g. more land charge searches). The increase in income offsets the increased cost and the core price does not go up.

Commercial Benefits:
In addition to the guaranteed financial benefits the offer aims to achieve an amount of additional financial benefit from maximising the commercial opportunities that the cluster of services represent. This could represent several £m of additional benefit.

The offer sets out a number of initiatives in the Commercial Development Plan that the provider plans to pursue to generate further profitable income. These initiatives cover existing, new and enhanced services to the residents of Barnet, as well as wider sales outside the borough.

These benefits are shared with us on the following basis:

- Should income from activities within the Borough exceed the minimum guaranteed income amounts, then once the additional costs of delivery and service provider profits have been taken out the Authority will obtain an agreed share of the profit over the contract term

- The provider, making use of the joint venture, will also target sales outside the Borough. The main opportunities would be with other Local Authorities - potentially smaller contracts for some services, such as planning application processing at times of high demand, or larger full outsourcing contracts for full DRS related services or groups of such services. Any profit generate by these sales (where LBB has had less direct involvement) would go into the joint venture company and we could would obtain a share of this as a dividend

- The provider is incentivised to achieve the aims of the Plan. Firstly they have agreed to a guaranteed minimum income level for the council which is higher than present income levels. If they do not develop these opportunities and achieve additional income they would need to fund any shortfall themselves. Secondly, should the provider over-achieve the guaranteed income levels, they can benefit by obtaining a share of any profit made. Finally, should CSL not take the actions they have committed to in the Plan and not achieve the income then the council have a contractual right to make deductions from the payments to CSL.

Contractual commitments in CSL's Final Tender

Strategic benefits

The provider will enhance the capacity, capability and quality of DRS services to be able to realise the council's corporate objectives. This is underpinned by a set of cross-cutting performance indicators, recognising the strategic intention to maintain Barnet as a successful place and the need to be proactive in driving social, economic and financial benefits for the borough, encouraging local economic growth whilst keeping it a green and pleasant suburb. Key commitments include:

- Introducing new technology, training and processes to improve customer satisfaction, with targets to increase satisfaction to 80% after Year 1 and to 85% by Year 5

- Delivery of employment and enterprise programmes - engaging in particular with young people not in employment, education or training - underpinned by a commitment to achieve an annual reduction in the number of Barnet-based graduates and school leavers looking for work after five years. In addition, to support local businesses and town centres, underpinned by a target to increase business survival rates compared with similar authorities.

- Implementing enhanced 'one-stop shop' business support and advisory services to help local traders, improve compliance and health and safety and initiatives to reduce the number of vacant high street properties across the borough compared to other comparable boroughs after five years.

- Closer working with other services providers and organisations including The Barnet Group and the police to identify issues in relation to health and inequality and jointly develop and fund programmes to promote health and well-being across the community, introduce preventative measures and reduce the cost of care in the future.

- New ways to secure funding through combining land value receipts, planning obligations, New Homes Bonus, Housing Revenue Account monies and the potential generation of income from Business Rate reform. This includes targeting funding applications for regeneration projects across the Borough. This is underpinned by a performance measure to increase the success of Barnet in winning available Central Government funding year on year

- Accelerating progress with the council's existing major regeneration schemes and town centre opportunities.

- Implementation of CSL best practice 'Local Suppliers Charter' to ensure that local people benefit from development in the borough, helping to match opportunities in the supply chain with local residents and businesses.

A new relationship with citizens

CSL's proposal will enable a better understanding of customer and community needs, use new technology and processes to provide a better customer experience, and improve engagement with residents and businesses. CSL have committed to a number of initiatives to achieve this:

- Developing and implementing a detailed Customer Access Strategy to increase and monitor resident and customer satisfaction, underpinned by the development of a customer services charter and a commitment to achieve increased customer satisfaction.

- Investing in DRS customer service technology (upgrading existing customer-facing IT,

Contractual commitments in CSL's Final Tender
implementing CSL's own Customer Relationship Management system and integrating with NSCSO customer service systems) to significantly enhance online and web-based services to include self-service portals, interactive GIS and mapping data. This enables a single point of contact and 'seamless' customer experience, and better processes to support customers. This will deliver a number of benefits: o encouraging greater self-help and channel shift o access to new information including advice and data (e.g. public registers such as food premises and land searches, case work tracking (such as planning applications), and real-time monitoring of complaints. o enabling on-line transactions including applications and payments, using online customer accounts with tailored information for individuals' preferences o automated reminders for renewals of licences and planning consents o offer personalised services at premium rates including training and packaged services such as planning, building control and licensing applications o on-line stakeholder engagement and consultation • Provision of a dedicated DRS customer service team, fully trained in customer service delivery to provide a high rate of first time resolution, promoting a more proactive approach to customer service and establishing a network of customer champions • Implementation of 'life event' based customer contact management processes and a one-stop-shop resident and business support service • Provision of a dedicated Member support team and liaison service to act as a single point of contact for all DRS services, answering enquiries and proactively keeping councillors informed of service performance, projects and issues. This includes regular newsletters, and production of reports and briefings to aid Member decision • Establishing and holding user forums to engage with communities and neighbourhoods, supported by the appointment of Community Liaison Officers to provide direct support in the community including guidance and advice to local groups and attendance at local meetings • Monthly Member and community communications reports to include: online leaflets highlighting programmed highways works and reactive maintenance; a regeneration report to highlight progress; town centre e-newsletters promoting centres and providing information relevant to businesses; use of social media targeted to local residents and businesses, providing updates on road works, status of projects and other local information • Development of a DRS insight function (Observatory) in partnership with Middlesex University to work with the council and NSCSO to better understand the profile, needs and priorities of residents. This Observatory will have an external portal to promote Barnet to attract internal investment and provide data for residents; with an internal portal to provide Members and Officers with access to data.
A one public sector approach CSL's proposal would see the provider take a leading role in co-ordinating effective local services, targeting needs, and engaging with public, private and voluntary partners to achieve the council and DRS partnership strategic objectives. To achieve this: • Transferring services will be re-organised into a more customer orientated and efficient grouping, with appointment of senior managers to co-ordinate strategies and initiatives across partners. CSL will provide additional skills and resources to assist regeneration and

Contractual commitments in CSL's Final Tender
inward investment by progressing projects more swiftly including the four priority estates and Brent Cross and town centre strategies • Establishing a Barnet Revolving Fund with an initial investment of £200,000 and £40,000 per annum to benefit all local stakeholders (public, private and third sector) encouraging sustainable growth. The use of the Fund will use a detailed investment analysis model to provide a means of increasing the impact of available funding such as New Homes Bonus, CIL and Business Rates (NNDR). • Creating a business case to set up a social enterprise vehicle to support third sector providers to develop services or initiatives where a gap in the market exists • Establishing a new A5/A406 corridor partnership in conjunction with Brent and Harrow with the objective of maximising growth, housing supply and employment • Undertaking a Barnet-wide estates review with Barnet Homes and the NSCSO provider to identify opportunities for development including new housing and community-related facilities • Galvanising the retail sector by engaging landlords to identify vacant high street premises and finding ways to bring them back into active use (e.g. through social enterprises or business start-ups), offering business support and advice, and supporting town centre traders to run effective forums to realise and market the full potential of each town centre • Exploring options for tax increment reinvestment zones across town centres to incentivise growth by ring-fencing incremental Business Rates (NNDR) increases for re-investment
A relentless drive for efficiency The bid guarantees maintenance of existing service levels and continuous improvement through the life of the contract. • Delivery of efficiency savings through service re-structuring and productivity improvements. This will be delivered through investment in new technology, new management processes and the implementation of more flexible working (including mobile working) and training to introduce cross-skilling to better use existing resources • Development of new and improved services to promote and sell to new customers, aiming to generate additional income for the council and DRS provider. This includes advice, consultancy support, and provision of top-up services for the full range of DRS services. Over 100 initiatives are proposed as part of a New Investment and Development Plan • The establishment of a robust governance framework and the application of established business processes to monitor performance, manage and forecast workload and allocate resources more effectively e.g. between economic cycles • Continuous improvement through the life of the contract supported by a combination of benchmarking and annual service reviews, transformation business cases and increasingly challenging performance targets over the life of the partnership. This is supported by the introduction of an 'Innovations Board' and 'Service Improvement Groups' • Staff in frontline services will be better supported to do their jobs with investment in tools, data and processes, learning and development, accommodation, and a flexible working initiative.

4.1. Joint Venture Approach

The offer includes the formation of a Joint Venture company by CSL and the council. This means that a new company will be formed with both the council (through its wholly owned company) and CSL as shareholders, and both will be represented on the Board of Directors. In addition the council has the right to propose the Chairman of the Board.

The joint venture company will have the contract with council for the provision of the DRS services.

This approach provides the council with a number of benefits as follows, it:

- enables the council to have a greater degree of control
- provides the transparency that helps ensure the council receives any profit due
- enable the council to trade more easily with other authorities
- may give some customers with greater confidence than trading with a purely privately owned company
- potentially continues to make profits after the end of the DRS contract

The offer is such that the joint venture approach does not weaken our guaranteed benefits or expose the council to any additional significant risk – ultimately the fulfilment of the contract is underpinned by a parent company guarantee provided by the CSL.

4.2. Joint Employment

During the scoping of the Development and Regulatory Services (DRS) project and exploration of options it was acknowledged that there were a number of statutory duties and powers that were non-delegable under therelevant service specific legislation.

Throughout the competitive dialogue process the non-delegable duties were dialogued with bidders and the council decided to consider the option of joint employment. Joint employment would involve the staff in-scope for the DRS project transferring to the new provider under the TUPE Regulations 2006. Following the transfer there would be an offer of joint employment to the staff that had transferred to the new provider, affording the opportunity to continue to provide the non-delegable statutory duties as an employee jointly of the council and the new provider.

The commercial contract for each bidder had appropriate drafting agreed to allow for the option of Joint Employment and the drafting to insert into contracts of employment were provided by the council's legal team.

The council have carried out scenario planning for the application of joint employment on how both the council and new provider would manage this way of working, this will be finalised with CSL during contract finalisation and close.

Managers have held discussions with in-scope staff on the concept of joint employment during team meetings and Assistant Director (AD) Q&A sessions.

4.3. The Public Services (Social Value) Act 2012 and Duty of Best Value

This section will be reviewed following the outcome of the NSCSO JR

The Public Services (Social Value) Act 2012 (the Act) received Royal Assent on 8 March 2012. It was brought fully into force by commencement order on 31 January 2013. The Act places a requirement on commissioners to consider the economic, environmental and social benefits of their approaches to procurement before the process starts. They also have to consider whether they should consult on these issues.

The Act requires authorities to make the following considerations at the pre-procurement stage: how what is proposed to be procured might improve the economic, social and environmental well-being of the “relevant area”; how in conducting a procurement process it might act with a view to securing that improvement; whether to undertake a consultation on these matters.

Whilst the Act was not in place at the DRS pre-procurement stage, the council has implemented best practice throughout the procurement and as a result has met the considerations and aims of the Act.

The Local Government Act of 1999 sets out a general Duty of Best Value for specified local government organisations to *“make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”* Under the Duty of Best Value local authorities should consider overall value, including economic, environmental and social value, when reviewing service provision.

The Best Value Duty complements the approach in the Act, but there are some differences which are summarised in the table below:

Table 4.2 - Best Value and Social Value Act comparison

	Best Value Duty	**Public Service (Social Value) Act**
Duty	Consider value (including social value)	Consider how to improve social, economic and environmental well-being
Body	Local authorities	All contracting authorities
Contract	Services, goods and works	Services only
Procurement stage	Throughout the process	Pre-procurement
Value of contract	Any value	Only above relevant EU procurement thresholds
Consult?	Yes – representatives under s3(2)	Yes – on the service being provided

In line with the Cabinet Office’s lean standard operating process, which places a heavy emphasis on engagement with supply markets before procurement processes commence, the DRS project held a market testing session as part of the options appraisal and a Market Day after the OJEU notice was published. At these events the council laid out its intentions and sought feedback and challenge from the market.

DRS made use of the supplier market place in this way both pre-procurement and indeed during competitive dialogue to enhance the process and gather best practice from supplier organisations. A number of these organisations were applying new and innovative approaches to service delivery in their existing businesses, which had the advantage of these approaches having been used in a live environment and enhanced by the public response.

The evaluation criteria (see Section 9 - Table 9.2) were developed to capture the need to meet economic, social and environmental well-being. This is underpinned by a set of performance indicators, recognising the strategic intention to maintain Barnet as a successful place and the need to be proactive in driving social, economic and financial benefits for the borough, encouraging local economic growth whilst keeping it a green and pleasant suburb.

In proceeding with a competitive dialogue procurement process the council engaged in in-depth discussions from the onset to develop solutions with bidders in line with the council's strategic objectives. Both bidders' Final Tenders met or exceeded these objectives.

5. Equalities Impact Assessments

Equality and diversity issues are a mandatory consideration in decision making by the council pursuant to section 149 of 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.

The three limbs of the public sector equality duty involve the need to:
- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act;
- advance equality of opportunity by removing or minimising disadvantages experienced by people due to their protected characteristics, meeting the needs of particular groups and encouraging under-represented groups to participate in public life; and
- foster good relations between those sharing and those not sharing protected characteristics by tackling prejudice and promoting understanding.

The duty is a continuing one, and equality considerations are required to be integrated into all stages of the procurement, commissioning and decision making process. The duty extends to the council's procurement of goods, works and services from external providers, and equality considerations must be embedded in the council's relationship with its suppliers.

The protected characteristics under Equalities legislation are:
- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity (including teenage parents)
- race
- religion or belief
- sex
- sexual orientation

The council has assessed the staffing and service changes being proposed by both bidders as part of their Final Tenders, and considered whether their proposals will have an impact on customers or employees with any of the protected characteristics in terms of three limbs of the public sector equality duty – discrimination, equality of opportunity, and good relations.

Two equalities impact assessments (EIA) have been completed by the council for each bidder:
1. Customer
2. Employee

These EIAs assesses the impact of the proposals on current service delivery models from the point of view of the groups with protected characteristics.

Undertaking the EIAs is consistent with the council's Equalities Policy which states as two of its principles, among others, the following:

- "Supporting employees in increasing their understanding of equalities issues through regular development programmes" and,
- "Building on policies to ensure inequality and discriminatory practice does not occur."

Throughout the mobilisation period and life of the contract, all service change proposals from CSL will be properly considered to ensure that due regard has been given to the public sector equality duty. This will include 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. The council will ensure that this happens.

The council will keep the EIAs under review through the mobilisation and contract period to:

- identify any changes;
- ensure that mitigating actions identified are implemented; and
- ensure that any necessary consultation and communication activities are taken with regard to specific change proposals, prior to any implementation decisions being taken.

5.1. External Equalities Impact Assessment (customer)

The purpose of the external Equalities Impact Assessment (EIA) is to understand the impact of the proposed externalisation of the 11 Development and Regulatory Services (DRS) on the way services are being delivered to the diverse customer profile of the council.

This assessment provides a detailed examination and analysis of the proposals against existing arrangements promoting equality, and how the proposals address current equality issues and customer feedback. It also offers an approach/mechanism to monitor the implementation of the key equality-related commitments (explicit or implicit) within the bidders' proposals.

During the earlier stages of the procurement process, the council developed output specifications for each service. The output specifications provide minimum service levels and compliance with statutory and non-statutory service standards which includes provisions on equality and diversity. Those output specifications, which go beyond the minimum standards, are contractually binding for the winning bidder.

5.2. Internal Equalities Impact Assessment (Employee)

The Equalities Impact Assessment (Employee) (EIA) has been written as a live document to explore the impacts on the staff through the project and is assessed throughout at key milestones. The final iteration of the EIA will be completed post contract award and after the transfer of staff to the new provider.

The DRS procurement was initiated to meet financial pressures, invest in services, preserve and improve on service levels. The solution in the final tender from CSL meets these requirements and focuses on income growth, an £8.2 million investment in services and the sale of services to other Authorities.

The impact the transfer will have on staff ranges from training, leadership development programmes; Continuous Professional Development, skills enhancement; succession planning and talent management; opportunities to work on innovative and new projects, to a guaranteed investment in training of circa £500 per person per annum.

CSL has committed to adding commercial skills and acumen to the services to enable individual development and growth of the business.

CSL intend to bring an additional 30 posts into the Barnet contract for the first year of the contract. The figures in table 7.1 show 30.1 posts removed from year 2 FTE figures then shown as stable for the remainder of the contract.

The Internal EIA base data in Appendix B shows that in a number of these categories the greater characteristic is not by a significant number, for example gender. This has remained around circa 47%/53% female/male split. This means that changes to the transferring group are more likely to affect a higher percentage of men than women

The make up of the transferring group is greater in the following areas:
- Gender: Male
- Age: Born between 1964 and 1951
- Ethnic Group: White British
- Disability: no disability; where there are a limited number of individuals with declared disabilities, these have been aggregated
- Religion or belief: Christian
- Sexual orientation: Heterosexual
- Marriage and civil partnerships: Married

5.3. Summary Equalities Impact Assessment of CSL

The council has assessed the staffing and service changes being proposed by CSL as part of its Final Tender, and considering whether it will have an impact on customers with any of the protected characteristics in terms of the three limbs of the public sector equality duty.

Having considered these issues in detail, it is the council's view that the overall impact on all groups with protected characteristics in the borough in terms of their access to and use of these services, the council's ability to tackle discrimination and advance equality of opportunity, is likely to be neutral with a potential to be positive in time. There is also likely to be a neutral impact on good relations between those sharing and those not sharing protected characteristics. However, these assessments will be kept under review throughout the mobilisation and contract period.

The reasons for the current assessments are as follows:

- The neutral assessments are based on the following key points:
    - CSL will retain activities or measures currently undertaken by the services which promote the public sector equalities duty.
    - CSL will fully comply with the council's Equalities Policy and Equalities legislation.
    - CSL will undertake EIAs when any changes to services are being considered prior to their approval and implementation.

- The potential positive impact in time is based on the following key points:
    - CSL will be introducing a number of service improvements that will enable better data about customers to be collected, analysed, and shared so that services can be

better designed and targeted to customers. These service improvements include the use of the following: Community Liaison Officers, end user satisfaction surveys, annual client satisfaction surveys, service improvement groups, formal customer feedback, outbound telephone surveys, outbound automated surveys, use of MORI and mystery shopping.
    - CSL will enable multi-channelled delivery and the ability to bundle services in ways that relate to customer need and put that at the heart of service delivery.
    - CSL will train staff on equalities which will help support more appropriate service delivery methods.

- The negative assessments are based on the following key points:
    - CSL's proposal for a greater use of automated and web self-service channels and social media may negatively affect certain groups with protected characteristics. These would include older people who might not be IT literate, disabled people who cannot use a computer/phone, and people whose first language is not English.
    - There is no indication within the CSL proposal of benchmarking with national indicators available to compare and inform current and future service provision.

The full Equalities Impact Assessments for CSL's proposals are provided as Appendix B to the Full Business Case.

6. Risks

Introduction

The commercial case for this partnership is supported by a contract under which a number of risks relating to the delivery of the benefits set out in Section 4 are transferred in whole, or in part, to CSL and the joint venture. The council has followed the principle of transferring only those risks that are economic to transfer, testing each of the key areas as part of the competitive dialogue process. A summary of the key commercial risk areas identified by the council is provided in the table below, following which the proposed contractual protection and/or mitigating activity is described in more detail.

Table 6.1: Key Commercial Risk Areas

Risk Area	Causes	Owner	Consequence	Control
Financing	Insolvency	Partner	Company collapses and potentially abandons the contract	There are financial distress provisions in the contract. A parent company guarantee will be in place
	Change in ownership	Partner	New provider/owner in place	There are restrictions in the contract on the types of organisation that are allowed to take on the contact, plus rights in the joint venture agreement
	Inability to source investment capital	Partner	Investment not forthcoming	CSL has been financially vetted. Financial standing tests from PQQ stage were re-run, showing no material change. A parent company guarantee will be in place
	Provider is unable to effectively manage its costs or secure sufficient income	Partner	Guaranteed financial benefits to the council not realised	CSL is required to top up any shortfall in guaranteed financial benefit. If it fails to then we will reduce our payments to them. A parent company guarantee will be in place **Note:** should the parent company fail financial standing tests we have set then in place of a parent company guarantee the provider

Risk Area	Causes	Owner	Consequence	Control
				will be obliged to put in place another form of surety such as a performance bond.
Core Service Performance/ Availability	Inadequate specification	Council	Service delivery below the required standard	Extensive work and review has been done on specifications
	Inadequate design / Inadequate resourcing / Inadequate methods	Partner	Service delivery below the required standard	Performance deductions can be applied as a result of key performance indictor failures. Step-in or termination if issues are severe.
Resilience	Force majeure event	Council	Service delivery suspended or below the required standard	Business continuity plans will implemented
	Inadequate business continuity arrangements	Partner	Service delivery suspended or below the required standard	Step-in or termination can be implemented by the council.
	Inadequate transition arrangements	Partner	Initial service delivery below the required standard	Performance deductions applied as a result of key performance indicator failures.
	Inadequate exit arrangements	Council	Service delivery below the required standard	Need to bring in additional temporary resource
Ongoing VFM of core service	Inflexible design	Partner	Service do not evolve to meet changing needs	There are change provisions within the contract. Performance deductions can be applied as a result of key performance indictor failures.

Risk Area	Causes	Owner	Consequence	Control
	Change in council priorities/policies	Partner/ Council	Services become increasingly detached from council policy	There are change provisions within the contract. Performance deductions can be applied as a result of key performance indictor failures.
	Provider does not remain at the forefront of developments	Partner	Above market costs or service quality below that of peers	Benchmarking will be carried out at three times throughout the contract plus annual service reviews
Volume / change in demand	Demographic Changes, or policy changes requiring focus on certain activities e.g. more Trading Standards inspections	Partner/ Council	Higher costs for the service provider or council	Volume related payments have been agreed in the contract. Increased costs are offset in some instances by increased income
Joint venture	Joint venture has an increased risk of facing financial difficulties as it has lower capital reserves than the commercial partner	Partner/ Council	Supplier failure leads to the contract being unfulfilled	The joint venture agreement ensures that: a) CSL would fund the joint venture capital and business development costs and b) they will provide a Parent Company Guarantee.
	Joint venture (JV) arrangement would transfer less risk to a partner than a standard contract.	Council	Greater risk borne by the council potentially leading to higher costs	The contract with the joint venture would contain the same performance and financial requirements and guarantees as a direct contract with the bidder.
	Primary bidders compete with joint venture (JV).	Council		Included in the joint venture agreement of a clause to prevent competition within a pre-agreed geographical area for DRS services.

Appendix 1

Risk Area	Causes	Owner	Consequence	Control
Financial Probity	Lack of transparency in partnership finances	Partner/ Council	Council does not obtain all the financial benefit it is due	There will be open book accounting and audit rights, plus rights as a joint venture company Director and shareholder
	Uncertainty over what is in or outside the core price	Council	Unanticipated cost increases	Extensive work and review has been done on specifications
	Weak project commercials	Council	Council does not obtain all the financial benefit it anticipated	Extensive work and review has been done tocommercial elements
	Unilateral exploitation of intellectual property by partner	Council	Council does not obtain all the financial benefit it is due	The contract is clear on our intellectual property rights and we have open book accounting and audit rights, plus rights as a joint venture company Director and shareholder
Non-delegable Statutory Functions	A number of statutory functions within the DRS cluster carry out non-delegable statutory functions	Council/ Partner	If the Council were to do nothing there would be a number of statutory functions that could not be carried out by the Partner.	There will be Joint employment of staff by both the council and the Partner. Joint employment will allow the employee to transfer to the Partner under TUPE whilst continuing to perform the necessary non-delegable functions of the role.

7. Impact on Staff

7.1. Terms & Conditions

Terms and conditions of employment are protected through the Transfer of Undertakings (Protection of Employment) Regulations 2006 as part of a service provision change. Over and above this the council implemented the Barnet TUPE Transfer Commitments following discussions with the Trade Unions. These TUPE Transfer Commitments will apply to any transfer of staff to a new employer for the foreseeable future, specifically but not solely under the One Barnet Programme.

CSL has stated that all transferring staff will have their continuous service preserved under TUPE and that all their contracts of employment will transfer, with staff retaining their key contractual transferring terms and conditions such as annual leave, grade and pay entitlements.

Staff will remain in the Barnet Local Government Pension Scheme (LGPS) for the duration of the ten year contract. Following the new regulations on auto-enrolment the new provider will enrol all eligible transferring staff into the LGPS pension, staff will be required to opt out if they do not wish to pay into an organisational pension.

In terms of location, it is the stated intention of CSL to remain within Barnet to deliver the cluster of services. As the DRS partnership grows commercially, transferring employees may be required to travel outside the borough in order to work on specific projects in line with business needs.

Prior to transfer CSL will provide staff with a terms and conditions matrix which will reflect the outcome of the Measures consultation with the Trade Unions. However, any entitlements to pay, for example, maternity, paternity and company sick pay will remain.

7.2. Transfer & Mobilisation

CSL will provide an experienced transition team to mobilise the DRS contract. The team will be based on site and available to coach, mentor and support transferring staff.

Over 70% of CSL's existing 45,000 staff have transferred to Capita under TUPE from previous employers or through acquisition. Over 40% of those are from Local Government.

CSL will provide a full communication and engagement plan to integrate staff into new organisation quickly and effectively to encourage a level of comfort for staff.

A key part of the mobilisation process is the consultation on measures. This will be carried out with the Trade Unions as part of the Tripartite meetings between Barnet, CSL and the council's recognised Trade Unions.

7.3. Learning, Leadership & Development

CSL will provide a number of opportunities for transferring staff with regard to learning, leadership and development. These opportunities will provide valuable development for staff that the council have not always had the finances to provide whilst offering an improved service in some circumstances and the grounding for growth in all services.

Development of the staff will involve the post-transfer offer of opportunities to work on innovative and new projects, continuous professional development and skills enhancement, as well as the right tools to allow staff to excel in their roles, succession planning and talent management.

CSL will invest £500 per person per annum an average 5 days per person per annum in training and development over the life of the contract.

Following transfer CSL will provide staff and manager care programmes including mentoring for every transferring manager and skills mapping to identify training needs.

CSL sees staff development as key and will appoint an Organisational Development Co-ordinator from within the transferring staff in scope as part of their commitment to the council.

CSL offers all staff the opportunity to take part in their vocational learning programme. This programme offers the opportunity for each member of staff to obtain a NVQ qualification up to a Level 3 if they have not already reached this level of education.

Professional accreditation is key within this cluster of services and CSL will support existing professional development plans including one annual business relevant professional subscription per person per annum.

CSL has committed to adding commercial skills and acumen to the services to enable growth and developing existing staff and managers with new skills to maximise flexibility.

7.4. Service Transformation & Restructure

CSL intends to minimise the impact of redundancy through growth into other partner organisations, redeployment throughout other CSL businesses, managing vacancies, temporary staff and natural shrinkage.

Table 7.1 DRS Staff Numbers

	FTEs on TUPE list	Year1	Year2	Year6	Year10
Planning	44.6	46.6	42.6	42.6	42.6
Land Charges	3.6	8.1	3.1	3.1	3.1
Building Control	15.6	15.6	15.1	15.1	15.1
Environmental Health	46.1	47.5	42.5	42.5	42.5
Trading Standards	4	4.4	4	4	4
Hendon Cemetery & Crematorium	10	16.5	18	18	18
Highways Strategy	1	1	1	1	1
Highways Network Management	30.9	43	38.6	38.6	38.6
Highways Traffic & Development	21.6	24.2	19.7	19.7	19.7
Highways Transport & Regeneration	12.7	12	7.7	7.7	7.7
Strategic Planning	10.3	12.8	12	12	12
Regeneration	22	21	18	18	18
FTE total	**222.4**	**252.7**	**222.3**	**222.3**	**222.3**

7.5. Communication & Engagement

During mobilisation CSL will provide a detailed communications plan which they will work on with the council, this includes:

- Inform and consult with Trade Unions and staff
- Working collaboratively with TUs to ensure consistency of message
- Team manager sessions on HR processes and relevant provider information
- PeopleCare programme including welcome presentation, induction, staff bulletins, confidential email helpline, staff drop in sessions, one-to-one meetings, regular Q&As
- ManagerCare programme is an extension of the PeopleCare programme to support managers
- Staff briefings considering various groups of staff including varying work patterns and locations

CSL intends to hold a staff satisfaction survey and pulse survey within the first 9 months of the contract and understand where further engagement would be best placed.

CSL has committed to engage with trade unions as part of consultation on any restructures post-transfer.

7.6. Benefits

Amongst other organisational benefits CSL has committed to honour 100% of existing flexible working arrangements for transferring staff. However, should business needs dictate that some local arrangements no longer work for the business, they reserve the right to discuss this with the employee.

8. Financial appraisal

8.1. Financial implications

The **baseline budget** for the services in scope for DRS is £14.5m (expenditure). £0.3m is allocated to retained client functions, leaving a baseline of **£14.2m** attributable to the DRS contract. This is set out in the table below:

Table 8.1 - Baseline

Expenditure baseline	£m
Baseline for in scope services	14.5
Retained client	(0.3)
DRS baseline	14.2

The services in scope for DRS include income budgets totalling **£9.7m** per annum. Income growth is key to CSLs' bid. The offer commits to net income growth of 34% over the contract term (£97m to £130m).

The guaranteed financial benefit over the contract term is £39.1m. The council is under no obligation to give its consent to any of CSL's proposals. The guaranteed financial benefit is CSL's risk.

The guaranteed financial benefit is comprised of the following:

Table 8.2 - The guaranteed financial benefit

Cost reduction /Income increase	Service	Description[3]	Guaranteed benefit (£m)
Cost reduction	All	Reduction in core operating costs of 21% (with 4.5% reinvested) to enable service development, 3.5% net saving to Barnet and 13% CSL partner fee	5.3
Income increase	Planning	National Planning fee increase moderated by prudent volume assumptions	1.7
Income increase	Hendon Cemetery & Crematorium	Pre-purchased graves, Extended opening hours, Additional cremation activities	4.3
Income increase	Highways	Streetworks management (coring), highways advertising	9.8
Income increase	All	Guaranteed proportion of commercial development across all services & installing Barnet as CSL hub in the South East	18.0
		Total	**39.1**

[3] The description of benefits sets out the expected activities that will achieve the total benefits. However, should any of these activities prove to be unviable, the joint venture is obliged to develop alternative proposals to meet the guaranteed financial benefit rather than it being reduced.

The **Medium Term Financial Strategy (MTFS)** agreed by council in March 2012 included savings attributable to DRS totalling £2.78m per annum. This reflected the prudent estimate of benefits from the DRS business case. Since that point, Cabinet on 25 February 2013 set out additional savings requirements of £0.4m for DRS 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 DRS over the period 2013 to 2016 is £3.18m.

The guaranteed financial benefits arising from CSL recommendation come from net savings on the core transferring services as a result of a reduction in expenditure and increases in income. Financial benefits are as follows:

Table 8.3 - MTFS Impact

Guaranteed savings (cumulative)	2013/14 (£m)	2014/15 (£m)	Contract term Total (£m)
December 2011 savings target on core transferring services	1.53	2.78	26.5
CSL guaranteed savings	1.54	2.80	39.1
Target exceeded by:	**0.01**	**0.02**	**12.6**

The table above demonstrates that the original savings target derived from the Outline Business Case (£26.5m) has been exceeded in CSL's offer by £12.6m and that the target for 2013/14 and 2014/15 as per the existing council budget is also met.

The additional savings target included in the Cabinet report of 7 November relating to DRS amounts to a further £0.4m saving required by 2015/16, i.e. £3.18m. CSL offer includes guaranteed savings of £4.06m by 2015/16, exceeding the target by £0.88m.

The savings on core services as set out above (£39.1m over 10 years) exceeds both the current MTFS target and the additional MTFS targets out for consultation. Any additional savings to the council both through guaranteed financial benefit over and above the target and further commercial development will not be directly factored into the MTFS at this stage, but if realised will help the council to meet their additional savings targets beyond 2015.

Partnership Investment, contracts and assets - Approximately £8.2 million of investment is to be provided to transform the services. This investment is spread across the services and may be categorised as follows:

Table 8.4 Partnership Investment Summary

Category	Service Area(s)	Main initiative(s)	Investment £m
IT & Systems	All	Specialised apps, desktop solutions	6.0
Research & Training	All and in particular Regeneration; Environmental Health, Trading Standards & Licensing	Regeneration research & revolving fund; Training for Environmental Health & Trading Standards	1.8

Infrastructure	Hendon Cemetery & Crematorium	Buildings and groundworks at Hendon Cemetery & Crematorium	0.4
Total			**8.2**

On service transfer the council will hand over to the joint venture a range of contracts and assets used currently in the provision of the services. Once contracts are novated the partner will manage each contract with the relevant suppliers and then in the future may renew, replace or otherwise build into their own supply chain as necessary to provide the transformed services.

The council will contribute the assets currently used in the provision of the specific DRS services to the joint venture. This allows the council to transfer ownership risk to CSL whilst at the same time reducing their initial investment requirement and so allowing them to reduce the price to the council. Some of the assets will be transferred in their entirety whilst for others (primarily those with an expected life and council need beyond the planned duration of the partnership). CSL will be granted the ability to use the assets for the duration of the partnership without ownership transferring.

A detailed asset register with the assets categorised in this way has been prepared and was available to bidders through the dialogue process. The council has the option to acquire from the partner such assets as it needs to continue the services following any form of termination of the partnership. Where any assets used at the point of termination are shared (for example IT platforms acquired through the course of the partnership that are used to service other CSL clients), the council will be granted access to use these on reasonable commercial terms.

Project costs have been funded from the council's transformation reserve. Project costs are expected to total £2.5m project completion. Project costs have increased since the 2011 projection due to the external advice required plus the change in project timescales.

Net present values and indexation – all figures included in this report are stated at current prices. Within the contract, indexation clauses enable the contract price to be amended to reflect inflation over time. For staff related costs, this is pegged to the local government pay award. For non-staff related operational costs, this is pegged to CPI.
The guaranteed financial income is also indexed to CPI, so that inflation does not devalue this guaranteed benefit to the council over the course of the contract.

Discounted cash flow and profiling – the timing of financial benefit realisation is an important part of the project. The payment profile and pace evaluation criterion (see Section 9 - Table 9.2) applied the following two tests to bidders' guaranteed financial benefit figures:

1. Bidders were required to meet the MTFS targets for the first two years of the contract as set out in table 7.2
2. As both bidders satisfied (1) above, a discounted cash flow analysis was applied to the total guaranteed financial benefit offer to take into account the time value of money

Commercial Development is an important part of the bid. CSL have included plans to grow revenue significantly over the term of the contract, resulting in further financial benefit to the council

8.2. Sensitivity analysis

Variations in certain volumes lead to agreed increases in price as set out in the table below. CSL's offer includes price revisions if volumes fall outside the tolerance parameters of 95%-110% of base volumes.

		Cost to LBB (incl Preferred Bidder margin at base volume)	**Price Revision 92.5%**	**Price Revision 95%**	**Price Revision 110-115%**	**Price revision 115%-120%**
		£	£	£	£	£
Environmental Health	Handling Environmental Health complaints	842,756	-63,207	-42,138	84,276	147,482
Environmental Health	Carry out planned inspections	293,000	-21,982	-14,655	29,310	51,292
Environmental Health	Handle pest control complaints	127,348	-9,551	-6,367	12,735	22,286
Trading Standards	Handling complaints	37,854	-2,839	-1,893	3,785	6,625
Trading Standards	Process Licensing complaints	3,549	-266	-177	355	621
Highways Strategy and T&D	Development team	404,402	-30,330	-20,220	40,440	70,770
Highways Network Management	Handle HNM complaints	434,388	-32,579	-21,719	43,439	76,018
Planning	Enforcements	96,541	-7,241	-4,827	9,654	16,895
Planning Strategy	Major Development	190,179	-14,263	-9,509	19,018	33,281

For many volumes, however, there is no increase in core price as the volumes relate to income generating activity (e.g. more land charge searches). The increase in income offsets the increased cost and the core price does not go up. So, although there will be an increased payment to the provider, this will be offset by at least as large an increase in income.

It is true 'change' in general could be used to generate increased profits for a private sector partner to the cost of the public sector partner. The council's contractual approach has been very much informed by this and the contract addresses this in a number of ways e.g. through an element of cost share with the provider on certain changes and with the use of protocols that require the provider to propose alternatives prior to implementing cost increases

Other financial and balance sheet considerations – it is not expected that this contract will give rise to, or affect any current contingent liabilities. This contract will not affect the council's position in terms of recovery of VAT.

8.3. Value for Money and Benchmarking

Ongoing value for money is an important consideration throughout the life of any contractual arrangement. A number of contractual protections exist to ensure that this can be monitored and achieved.

a) benchmarking provisions are included within the contract, enabling the council to undertake a comprehensive independent benchmarking of the services twice through the life of the contract, with an obligation on the service provider to ensure that the contract price falls in line with the outcome of benchmarking where it is higher than expected at that point in time.

b) there are provisions for year 4 and year 7 reviews with the contract. This signposts a more fundamental review of the direction of the partnership, and whether outcomes being delivered both financially and non-financially meet the changing needs of the council and its stakeholders at that point in time. The timing of these reviews is designed to tie into the council's financial planning cycle. As noted above, the financial benefits within this contract enable the council to exceed its MTFS targets for 2013-16. However, by 2017, further financial challenges may exist, and the year 4 review is the appropriate mechanism to ensure the contract is flexible enough to deal with circumstances prevailing at that time.

8.4. Financial Probity

The council has secured a fixed price for the delivery of the specified core services.

However:
(i) this price will change due to inflationary (indexation) adjustments on an annual basis;
(ii) the price may change if the council requires the scope or standards of service to change;
(iii) projects and commissions will require new costed business cases from time to time;
(iv) the council will wish to avoid any excessive profiteering by the partner through sharing of overall returns;
(v) foreseeable but as yet not fully defined issues such may require a change in scope and therefore cost and the council needs to ensure that any changes to cost are reasonable;
(vi) unplanned but contractually possible events such as early termination would bring costs for both sides and the council will wish have certainty over its exposure in such circumstances.

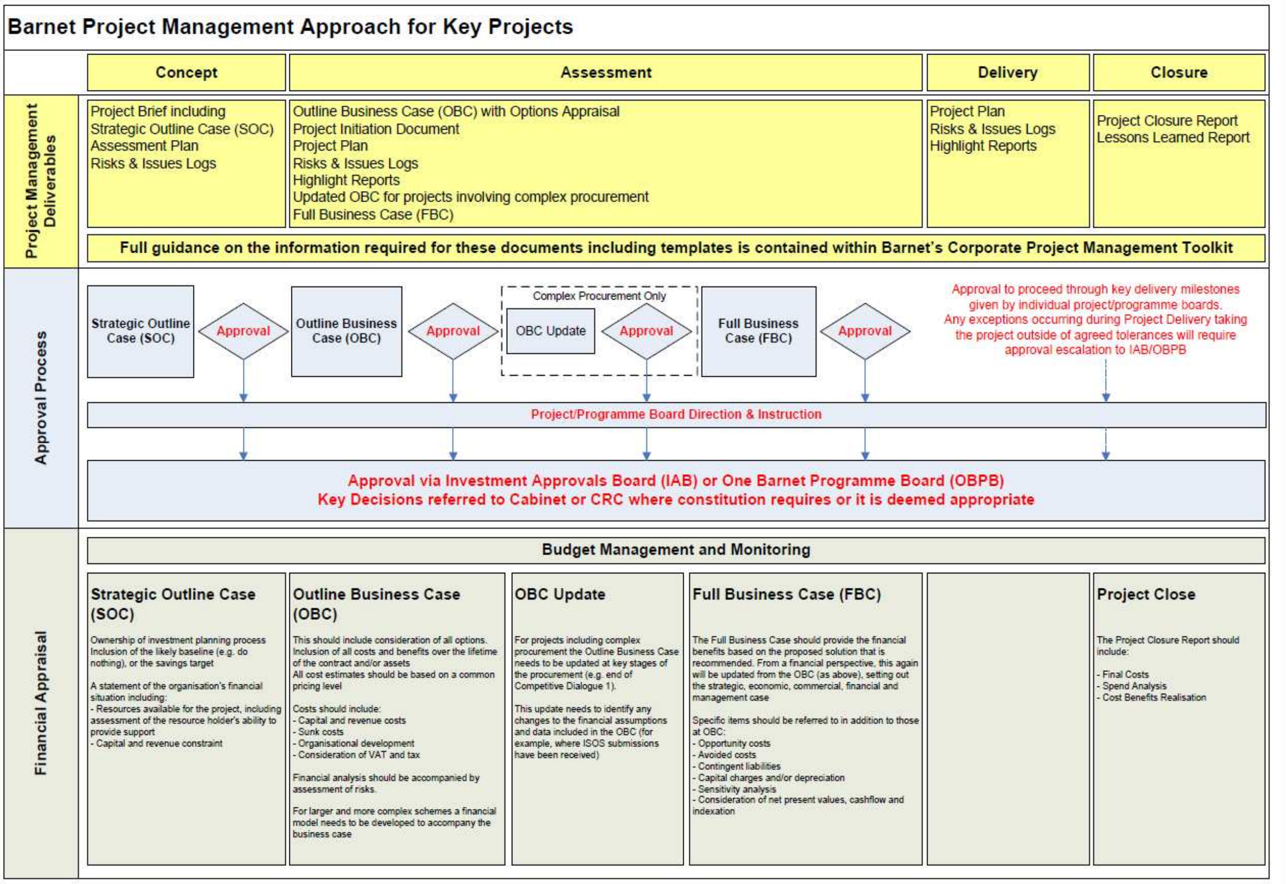
In order to protect itself the council will need to have transparency of financial information and the measures put in place to provide this are:
(i) inclusion of detailed financial model in the contract, including compensation on termination calculations
(ii) open book accounting requirement for relevant partner costs
(iii) the council has audit access rights to establish the source of any cost charged to the partnership
(iv) the contract has a 'super profits' clause requiring any partner return over an agreed threshold to be shared with the council
(v) the contract has schedules of day rates to inform the costing of projects and other ad-hoc activity;

(vi) the contract has a weighted index for inflation that recognises the proportionate split between costs affected by wage/price inflation (and uninflated costs). This provides certainty over any annual service price rises in time to be incorporated into the council's own budget processes.

9. Project Approach

The project has followed the standard Barnet project management methodology as set out in Barnet's Project Management Toolkit and has been subject to routine audit reviews during its duration. The full project process is shown below:

Diagram 9.1 Barnet Project Approach



The DRS Project Board has met regularly over the course of the project receiving status reports and key risks and issues. The board is chaired by the Project Sponsor, Pam Wharfe, Director for Place and includes Project Director, Martin Cowie, leading on service delivery; Commercial Director, Craig Cooper; Commercial Lead, Jason Walton; the Project Manager and Procurement, Legal and Finance officers. Any matters requiring further escalation or are a programme-wide risk, are reported to the One Barnet Programme Board. The One Barnet Programme Board also receives regular updates on the project's key risks and issues.

The procurement has followed a standard competitive dialogue approach following the initial short-listing exercise where four bidders prepared and submitted outline solutions. Following evaluation and down selection, detailed solution dialogue was conducted with EC Harris and CSL.

The evaluation has been conducted against the criteria published in the OJEU notice which was published 17 March 2011 and the Invitation to Submit Outline Solutions circulated to all four bidders.

Table 9.2 DRS Evaluation Criteria

Criteria	Weighting %
People and Place	**43**
Capturing financial, economic and social benefits of major regeneration projects and return to the Borough	8
High and measured customer satisfaction	7.5
Compliant, high quality service delivery	5.7
Services joined up with other public, private and third sector organisations	4.6
Continuous and innovative improvement in service delivery	4.6
Effective consultation and engagement	4.6
Effective HR practices and professional development	4.6
Maximise opportunities from central government for the benefit of the Borough	3.4
Flexibility and Risk	**14**
Flexibility in the contract	5.6
Align with council's strategic objectives, now and over time	5.6
Ability to transfer risk	2.8
Financial and Commercial	**43**
Guaranteed financial benefit	12.7
Maximise the commerciality of the services	12.7
Payment profile, including pace	7.8
Price performance mechanism	6.8
Guaranteed investment	2.9

Final Tenders from both bidders have been reviewed against this submission using a tiered evaluation.

Between two and three technical evaluators from each of the in-scope services individually reviewed bids against the output specifications they had provided noting strengths, weaknesses, risks and issues. They then met as a group, with a member of the council's procurement team acting as a facilitator, to reach a consensus score.

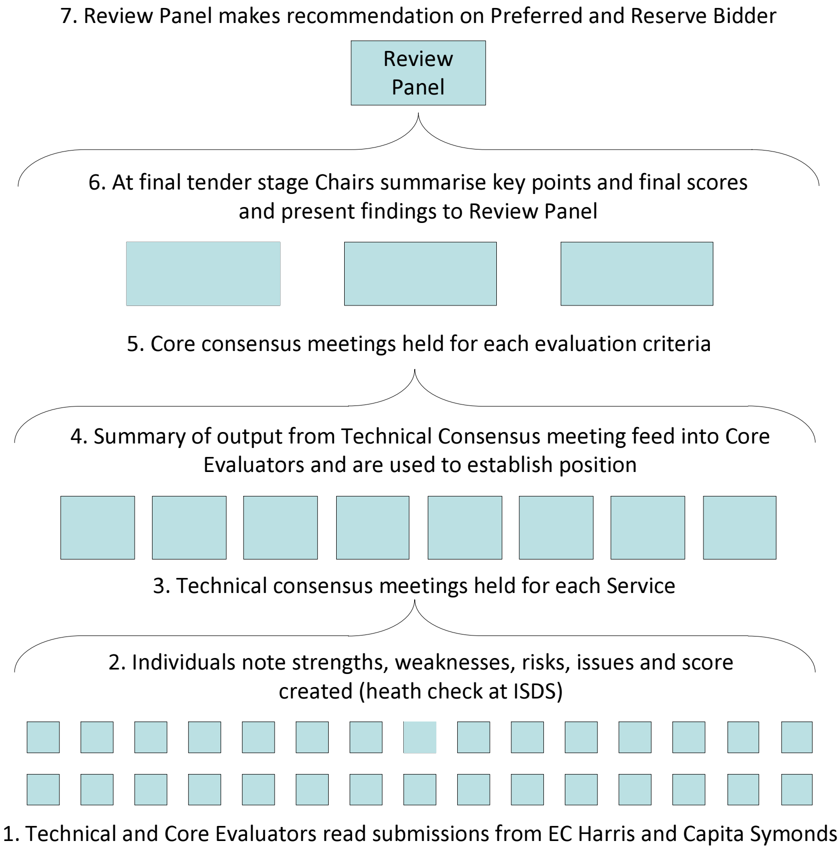
Output from the technical evaluators' consensus meeting was then fed into three core groups – one each for 'People and Place', 'Flexibility and Risk' and 'Financial and Commercial'. Each group had a senior management level chair who was also responsible for feeding into a final evaluation report. All members of the Core team independently reviewed bids and, with the exception of the Chair, noted their strengths, weaknesses, risks and issues. Core evaluators then met to arrive at their own consensus score with a member of Procurement facilitating.

This process was used for the review of Detailed Solutions, received on the 22 October 2012, and then repeated for the evaluation of Final Tenders, received on the 2 January 2013. Both groups were able to raise clarification questions at Detailed Solutions stage and reflect bidder responses into their final appraisals and scores.

Chairs prepared evaluation reports which summarised the final position for each bidder. These reports were presented by Chairs to the Review Panel which met on the 28 January. Review Panel members had the opportunity to challenge the Chairs on their positions before agreeing a recommendation to be put forward.

The evaluation process is summarised in the following diagram:

Diagram 9.3 DRS Evaluation Process



9.1. Mobilisation

The project will move into the mobilisation phase once the Business Case has been approved by Cabinet (subject to Post-decision Scrutiny)

The approach to mobilisation will combine where appropriate similar activities for both DRS and NSCSO. Therefore, to aid knowledge sharing and to make the most effective use of resources, it has been decided to combine both projects in their final phase into the Transition and Mobilisation Programme. It will also link the other activites underway within the council, notably the implementation of the model for the retained organisation and the implementation of our Information Management Strategy.

The deliverable from mobilisation will be the transfer of all in-scope staff, data and assets for the DRS services covered within this business case.

Mobilisation will formally commence when the Alcatel period (this being a stand-still period within the procurement process in which unsuccessful bidders have the opportunity to challenge the decision) ends. The project will be delivered through a number of key work-streams with a programme manager, supported by a team of project and business specialists directing and managing the programme. The work streams and their main activities broadly cover contract compliance, implementation & finance, operations, communications & engagement, information management, HR and governance.

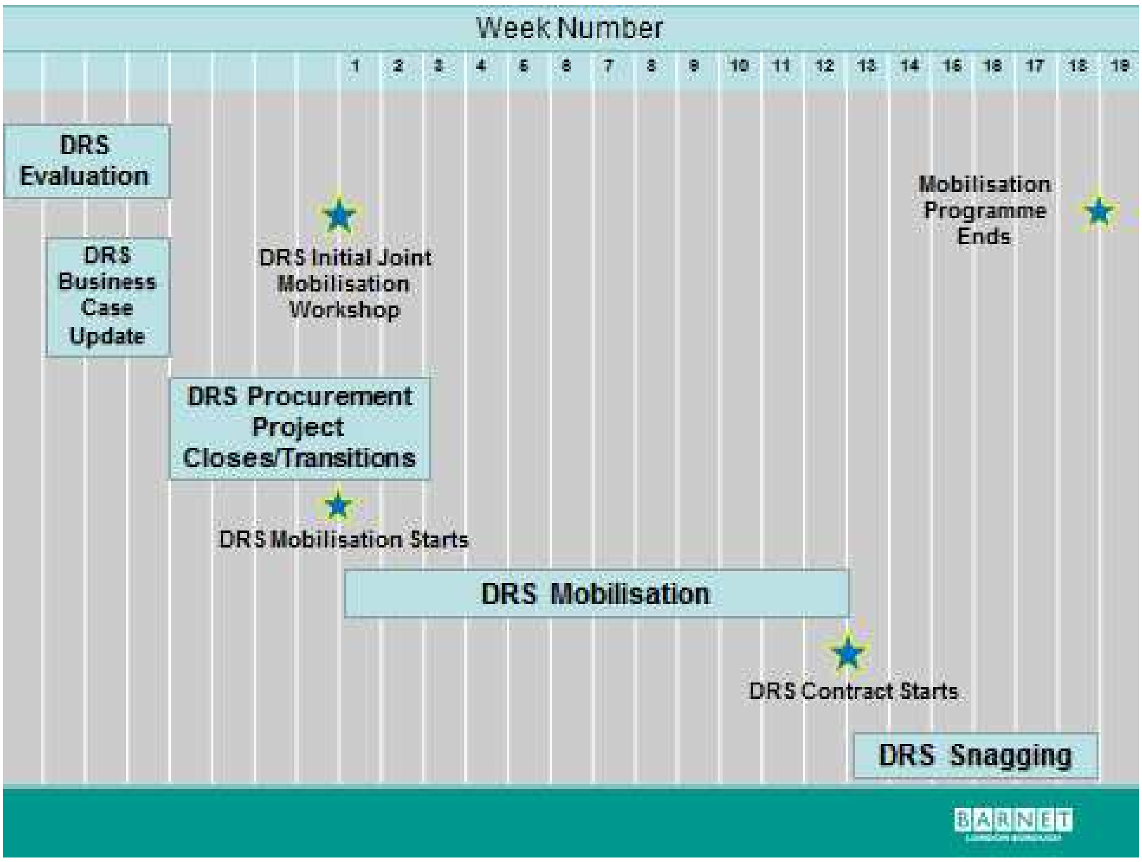
There are a number of key stages after the governance process is complete, for the lead in and completion of mobilisation. These are:

- Preferred bidder letter issued
- Alcatel ends
- Contract signature
- Due diligence of the service streams
- Service Commencement

The application for Judicial Review against the NSCSO Preferred Bidder recommendation could (if successful) impact upon the DRS project. Consequently, the project is unable to confirm the dates within the plan at this point in time.

The mobilisation plan will take account of the parallel mobilisation of NSCSO services. Provisions within the NSCSO contract will guarantee the required availability and quality of support to the DRS partner through its own mobilisation period and early months of operation whilst interface agreements to be signed by both partners will allow them to renegotiate, extend or discontinue the services for the longer term.

Diagram 9.4 - DRS Mobilisation Plan



9.2. Project Assurance

One Barnet Assurance Work

Assurance work has taken place through-out the project lifecycle of DRS by internal and external audit.

Internal Audit review the programme quarterly and review aspects of the projects according to the 12 point project management excellence methodology set out in the diagram opposite that assures a well-managed, effective programme which has fit-for-purpose controls:

Internal Audit work for the past two years has considered the following:

- Capacity and Capability management, change management and risks and issues management
- Customer Services Risk Management
- Scope and change control, governance and dependencies
- Working with suppliers/providers
- Stakeholders
- Data quality of KPI information

External Audit reviews the council annually and considers the progress of its transformation programme in its value for money opinion. The council has maintained an unqualified value for money opinion throughout the course of the One Barnet Programme. In addition, External Audit has reviewed the following:

- One Barnet Governance
- the progress of the DRS project and overall concluded that there were adequate arrangements in place for the overall governance of transformation projects

The outcome of internal and external audit work has been reported through to the Audit Committee throughout the life cycle of the DRS project.

9.3. Project Risk Management

Project risks are managed in line with council's overall approach to risk management. Risks are recorded and managed through the council's central risk register contained within JCAD IT system and reported to the Strategic Commissioning Board on a regular basis.

The key risks identified for the delivery of the mobilisation phase are shown in Table 9.5.

Table 9.5 – Summary Risk Analysis

Risk Area	Potential Causes	Consequence	Control
Legal challenge	Challenge of the procurement process or vires	Impact upon the delivery of project benefits	The project and procurement have been conducted in line with legislative and best practice guidelines and vires audits have been undertaken in relation to activities itemised in the Output Specifications.
Management of contract	Service level agreements (SLAs) and key performance indicators (KPIs) are not sufficiently defined	Impact Barnet's ability to hold suppliers to commitments from transfer of service.	KPI performance data has been accepted for the majority of KPIs, however, 27 are not accepted as reliable by the provider. Further work will be done to gain acceptance of these prior to contract commencement.
Challenge during the Alcatel period	Challenge during the Alcatel period prevents contract signature and mobilisation until challenge is answered.	This will extend timescales for transfer of service.	The contract will not be signed until the Alcatel period has expired. In addition, the council has undertaken the procurement of DRS according to the council's Contract Procedure Rules and the Public Contracts Regulations 2006. All precautions have been taken to ensure a fair and transparent process for both short-listed bidders and to minimise the risk of challenge.
Business as usual and mobilisation activities.	Due diligence activities coupled with preparations to transfer service in adequately planned or resourced	Pressure on business as usual activities or the council's ability to properly execute mobilisation activities.	A mobilisation team has been identified which is largely staffed from the new retained client organisation. Where further resources are needed to supplement either capability or capacity on a short term basis, contract staff will be deployed.
DRS and NSCSO Interface Agreement	DRS and NSCSO Preferred Bidders delay signing up to Interface Agreement	Potential impact on the benefits realisation for both projects.	The council has been dialoguing interface agreements with all DRS and NSCSO bidders and the key obligations are already developed in the draft contract.

Risk Area	Potential Causes	Consequence	Control
Commissioning Group	Key posts in Commissioning Group not filled	Gaps in capability and capacity for mobilisation and on-going contact management.	There are a number of key posts within the new Commissioning Group that will need to be filled in order to provide leadership into the mobilisation process and to retain the resulting knowledge in house for use in managing the contract and performance. Contract managers should be briefed and trained to ensure full know how handover by those who negotiated the contract and full knowledge of contractual mechanisms, the council's obligations and the range of remedies available should performance dip. Work is already underway to advertise and fill vacant posts, some already having been filled. Where vacancies identified as essential for the mobilisation work exist contract resource will be brought on board to cover while permanent resources are recruited.
Mobilisation timescales	Mobilisation timescales are exceeded	Delay to service transfer	The council’s preparation for mobilisation will start from the announcement of the preferred bidder and will formally commence following the end of the Alcatel period. A 12 week process is planned for joint council and CSL mobilisation activities which is in line with recommendations.
3rd Party Contract novation	Key contracts are not able to or are late novating	Council continue to manage and /or fund third party services that should be transferred.	Work is on-going on the review and transfer of contracts and will be completed in preparation for transfer of service. Where contracts cannot be novated for legal or constitutional reasons they will be retained, incorporated into the baseline adjustments, and CSL will act as the council’s managing agent.

Risk Area	Potential Causes	Consequence	Control
Constitutional changes	Constitutional changes are delayed	Constitutional changes are delayed	Contract delivery is not dependent upon the structure of the retained council. The council could manage the DRS contract within current structures and governance procedures, with any temporary changes to service requirements being dealt with by way of a reprioritisation change within the contract. Council representative directors on the JV Co will need to ensure compliance with appropriate propriety and probity requirements to understand their duties and prevent conflict of interests.
Financial baseline	Financial baseline is updated	Financial baseline update adversely impacts contract	The council retains the ability to require a change in the services as a consequence of budgetary or other constraints. CSL would be obliged to develop options for meeting the new baseline, which would initially involve reprioritisations and which the council can accept or require refinement until it is content with the proposals.

10. Dependencies

The following dependencies have been identified and will be actively managed by work stream leads throughout the mobilisation period and into the contract term as appropriate.

Table 10.1 Dependencies list

Item	Dependency
Information Management Strategy Project	On transfer of service to the new provider on the 8 May the council will need to be able to hand over the physical and electronic data necessary for the day to day running of services. Preparation for this is already underway through the Information Management Strategy Project (IMS).
Commissioning Organisation Design	The timely recruitment of staff to key positions within the new commissioning organisation will be a major factor in a successful mobilisation. Where feasible, the project will want to retain officers within the commissioning organisation who have knowledge of the mobilisation process and ensure know how handover from the negotiation team.
Governance Project	A number of constitutional changes will be necessary to complete transfer such as the appropriate delegation of responsibilities to the Chief Operating Officer and the client management team. These changes will need to be managed through the normal democratic process and as such will need to be completed before the transfer date. See also above re council nominated directors.
Co-Operation Agreement	The Interface Agreement defines how the preferred bidders from DRS and NSCSO will work with each other during the transition of services from the council to the provider. This is particularly critical for services such as IS who may still need to provide current council IT systems to DRS services post 8 May for up to 3 months.
Joint Employment	There are a number of functions within the DRS services that can only be performed by an Officer employed by the Authority. A joint employment contract between the employee, the council and the new provider will enable these elements to be performed post transfer to the new provider.
Approval of commercial proposals	The commercial aims of the provider are in part linked to the implementation of the proposals set out in the Commercial Development Plan. Some of these will require the council and Members' approval before they can be implemented. The council believe many will be non- contentious but some may involve offering new services or changes to fee levels or fee structures that may need more in depth consideration.

11. Democratic Oversight and Control

Members' democratic oversight and control of the DRS services will be undiminished by entering into this contract:

- **Setting strategic direction for the services**: The contract provides for an annual service review process which looks back over the prior year's performance and identifies the agenda for the coming year. This process will align with the council's own budget and business planning cycle. Member decisions made through the budget cycle will be communicated via the Strategic Partnership Board and will be built into service plans for the following financial year.
- **Taking resourcing decisions**: The contract includes budgetary change provisions, which are there to deal with events requiring a significant reduction in the cost of services. The Partner has an obligation in such circumstances to minimise any adverse effect on services and is required to provide an impact assessment so that members can take decisions in full knowledge of the potential impact. A change process can be initiated at any time. If, for example, there was a Comprehensive Spending Review announcement from Central Government that identified more cuts to future resourcing levels for local government, Members could use the budgetary change provision to require an immediate step-down in DRS services in order to use these savings to help minimise the future impact on other services.
- **Holding the service provider to account:** The DRS services are subject to similar overview and scrutiny processes as in-house services. Decisions taken in respect of these services may be called-in and scrutinised in exactly the same way, and the council's audit committee will receive reports on the DRS services which remain within the scope of the council's annual audit plan.
- **Renewing, reducing, stopping or changing the service mix within the contract**: The Council may terminate at any time earlier than the planned end date (this would be a member decision) subject to repaying CSL for investments made but not yet recouped through the annual service charge and loss of profit. If the contract runs the full 10 years as is currently envisaged, the up-front investment in transformation and technology will be recovered over that 10 year period.

11.1. Member Involvement in DRS Services

CSL commit to provide Members with a more supportive approach including a dedicated Member Liaison Service. This will proactively engage with Members providing a single point of contact for them to discuss any issues.

In addition, the provision of enhanced customer insight is expected to assist Members in responding to residents as individuals, and also in understanding patterns and trends at ward level.

12. Benefits Realisation and Contract Management

12.1. Benefits Realisation

The council's approach to benefits realisation will be developed with the new partner and aligned with the performance management and incentivisation mechanisms in the contract. These fall broadly into the following areas:

- Monitoring of transformation milestones and deliverables. CSL has committed to using a benefits tracking tool and funding a benefits realisation manager.

- Key Performance Indicators (KPIs) and Performance Indicators (PIs) for the core services will be reported monthly by the Partner and the council has a right of access to the systems and data used to create these reports to satisfy itself of their accuracy. Each of these PIs represents a specific output or benefit commissioned by the council from the Partner. If there is any variation from the targeted levels these will be reviewed and actions taken as necessary between the council's client team and the Partner's operations team as part of the Partnership Operations Board. Any issues that cannot be resolved or progressed by this group can be escalated to the Strategic Partnership Board and ultimately to the Chief Executive and the Board of the Partner.

- Objectives for specially commissioned projects will be developed through the business case and approval procedures set out in the contract. As each project may require a different approach to delivery, the Partner will be required to set out a detailed benefits management procedure as part of each business case. Progress against live projects and their required outcomes will be reported to the council at the same time as the regular PIs. On-going monthly business performance reviews in this area will be overseen by the Partnership Operations Board.

The ownership (on the council's side) of each of these benefits will fall to the relevant Lead Commissioners and will be tracked and reported to the council as part of their general reporting processes.

12.2. Intelligent Client and Contract Management

The council has designed and established a client side function for all its internal and external delivery partnerships called the Commissioning Group as part of the corporate restructure project, which was approved by General Functions Committee in April 2012. This new structure, with the majority of roles filled, went live in April 2013. It comprises:

- Lead Commissioners – six senior strategy and policy experts responsible for understanding the needs of customers and the borough and designing commissioning strategies to deliver the outcomes required by the Strategic Commissioning Board in accordance with the direction and policy guidelines provided by members. The Enterprise & Regeneration Lead Commissioner, who has been in post for several months, is the primary DRS Commissioner.
- Commissioning strategy team – five strategy and policy advisors who act as a flexible resource across all policy areas

- Commercial team – a team who will manage the commercial and contractual relationships with external and internal delivery partners, ensuring that contracted financial and non-financial benefits and commissioned outcomes are delivered, that risks are effectively monitored and managed, and improvement opportunities are identified and acted on. Within this there will be a dedicated DRS team led by a DRS Partnership Manager, and comprising officers responsible for service quality assurance, performance analysis and contract compliance.
- Deputy Chief Operating Officer team – a large team overseeing effective corporate strategy and operations, comprising programmes and projects, information management, finance, and communications, and key NSCSO subject matter experts

The council is utilising best practice guidance in the detailed design of its contract management processes, including the National Audit Office and Office of Government Commerce's Good Practice Contract Management Framework (December 2008), which covers activities that organisations should consider when planning and delivering contract management; how to evaluate the risk and value opportunities inherent in contracts; and how to develop contract management plans and priorities.