h&f putting residents first	**London Borough of Hammersmith & Fulham** **CABINET** **11 FEBRUARY 2013**
TRI-BOROUGH MANAGED SERVICES – FINANCE AND HUMAN RESOURCES (TRANSACTIONAL SERVICES)	
Report of the Leader of the Council – Councillor Nicholas Botterill	
Open report A separate report on the exempt part of the Cabinet agenda relates to the outcome of the procurement process and provides exempt information relating to the services to be provided.	
Classification - For Decision **Key Decision:** Yes	
Wards Affected: All	
Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Services	
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1. EXECUTIVE SUMMARY

1.1. The Tri-Borough Managed Services Procurement for Finance and HR transactional services has now successfully concluded. Cabinet is asked to approve the award of a call-off contract with the preferred supplier, BT, to supply a range of Finance and HR transactional services available under the main Framework contract, as set up by Westminster Council (WCC).

1.2. This procurement forms one stream of the wider Pan-London Athena programme which aims to deliver the convergence of back-office services across London Boroughs. The other workstreams are delivering the ICT outsource arrangements for back-office systems. This procurement is delivering a set of fully managed services i.e. services beyond the IT platform are provided by the contractor.

1.3. The Finance and HR services form Lot 1 of four Lots being procured through the Managed Services programme, which includes E-sourcing (Lot 2), Property and Asset Data Management (Lot 3) and Business Intelligence (Lot 4). These other Lots are in the final stages of evaluation with a target completion date in January 2013.

1.4. Through an appropriate EU procurement exercise, the three Tri-borough Councils have identified a supplier, BT, who will deliver the services at the required quality standards and deliver savings of £1.28 million per annum across H&F's activities, and a payback on initial transition investment (£4.15 million) of 3.4 years.

1.5. The call-off contract is from a four year framework, procured by WCC, and will be for a period of 5 years with the right to extend by a further 3 years. Provision of an 8 year call-off contract will maximise the savings achievable. The protections built into the framework and call-off contracts are extensive. As this procurement has proved attractive to the market, we have benefitted from competitive pressures on pricing and terms. Key aspects to these protections include reasonable levels of limits of liability, clearly articulated and extensive termination rights for the customer, clear performance management measurements including service credits and strong governance arrangements. Change management is rigorously defined preventing both uncontrolled price changes from the supplier and ensuring other boroughs using the framework cannot drive up cost through customisation and divergence from the "best practice" services.

1.6. Healthy competition was maintained through each stage of the procurement with strong interest from the market. The final two bidders for Lot 1 were evaluated using the pre-published evaluation process. It was clear that both suppliers provided strong bids and the quality of the services offered were rated as broadly equivalent, but with a slight margin to the preferred bidder. The preferred bidder, BT, offered better pricing and more attractive profiling of investment spend and, under the pre-published evaluation criteria, was selected as preferred supplier.

1.7. The costs of £4.15 million associated with the Managed Services transition (to cover IT, business change and supplier costs) will be met from the Efficiency Projects Reserve. The reduction in operating costs of £1.28m per annum arising from the contract will flow to reduced HR and Finance operating costs once implementation is complete and are already included in H&F's Medium Term Financial Strategy (MTFS).

1.8. The Managed Services procurement has been undertaken on Tri-Borough basis with full engagement with staff from Westminster, LBHF and RBKC. Throughout this process, it has been the intent that all three boroughs will call down from the framework.

2. RECOMMENDATIONS

2.1. That the Council enters into a contract with the preferred supplier, BT, for five years (with the potential to extend for a further three years) at an annual cost of £1.5 million to provide the full range of services covered by the Tri-borough Managed Services Framework Agreement for Finance and Human Resources (transactional services).

2.2. That £4.15 million be set aside from the Efficiency Projects Reserve to fund the transitional costs involved in moving finance and HR transactional services to the preferred supplier.

2.3. That delegated authority is given to the Executive Director of Finance and Corporate Governance and the Director of Law to finalise the contract arrangements with the preferred supplier.

2.4. That the Leader of the Council approves any amendments to the services to be drawn down from the preferred supplier.

2.5. That arrangements are put in place for Westminster City Council to provide an Intelligent Client Function to manage the relationship between the preferred supplier and this Council at a cost of £100,000 per annum.

3. REASONS FOR DECISION

3.1. The recommendation to proceed to award and sign the call-off contracts, followed by implementation is based upon the following:

- supplier chosen following an open and transparent competition in compliance with EU regulations and council policies;
- savings from adoption of the managed services are significant;
- adoption of services enables a greater Tri-Borough working and achievement of existing and future savings targets; and
- provides support to the Pan-London Athena Programme strategy of convergence across London Authority corporate services.

4. BACKGROUND

4.1. In the current economic climate, the financial pressures on local authorities put the opportunity to reduce costs and rationalise services high on the agenda. Over the next one to three years a number of London authorities are reaching end of life on their current IT systems contracts and this provides an ideal opportunity to move to a new shared services model that includes both the systems and the business processing elements to achieve savings through standardisation and 'vanilla' best practice processes.

4.2. The Pan-London Athena Programme has been leading a programme of work focused upon the convergence of London Borough back office services such as HR systems and Finance systems. The workstreams are set to achieve convergence through the sharing of various flavours of IT platforms. This IT shared service outsourcing looks to reduce the costs of maintaining duplicate versions of systems across London in multiple boroughs i.e. running multiple versions of Oracle for example.

4.3. The Tri-Borough Managed Services procurement formed one of those streams. Although complementary to the Athena Enterprise Resource Planning[1] (ERP) workstreams, this programme differs in being a fully managed outsourced solution. It offers an alternative for London authorities seeking to reshape corporate services in the medium to long term allowing them to benefit from a standardised approach using a single procurement to produce further cost savings through aggregation of services.

4.4. In 2011, Westminster established itself as the lead borough for the Managed Services element of the Pan-London strategy. This reflected its timetable for re-procurement of Finance and HR services. Funding was granted from Capital Ambition in recognition of the importance of the Managed Services as a cost saving option for back-office rationalisation. Shortly after Westminster was recognised as lead for the Athena Managed Services work stream, Tri-Borough discussions recognised the value of a combined procurement and common systems and processes stance for effective cross-borough working. Since then the Managed Services programme has been managed by Westminster with full engagement with, and funding from, LBHF and RBKC.

4.5. The value of this framework has also been recognised more widely across London. An additional 17 boroughs signed up to participate in the framework procurement including Bexley, Bromley, Camden, City of London, Ealing, Hackney, Hillingdon, Hounslow, Islington, Kingston upon Thames, Newham, Richmond, Southwark, Sutton, Tower Hamlets, Waltham Forest and Wandsworth. Also included are any arms length management organisations, subsidiaries or other companies or businesses under the control or influence of any of these London Boroughs and any schools within the control or influence of any of the aforementioned London Boroughs. There is no commitment to adopt, but a number of boroughs have expressed an active interest in evaluating this option.

[1] ERP is an integrated system which operates in real time, has a common database which supports all applications and has a consistent look and feel throughout each module

4.6. Through a series of integration projects WCC, LBHF and RBKC are aiming to save over £40 million by reducing overhead costs, including reductions of over 35% in management overheads for adult social care, children's services and environmental services. As well as generating savings in its own right, Tri-borough Managed Services enables the delivery of savings elsewhere across the Tri and Bi-borough services. A combined back-office solution would enable all three Councils to be working in the same way, using the same processes. With this new single operating model, the potential for further efficiencies in "customer" service areas from more streamlined processes will become possible, reducing back-office processing costs and allowing more resources to be diverted to "front line" services.

4.7. In 2011, the LBHF Cabinet agreed to contribute £333,000 towards the cost of the Tri-borough Managed Services Programme. A further contribution of £300,000 was then agreed by Cabinet in June 2012. In recognition of the wider London benefits this procurement would deliver, Capital Ambition awarded the procurement £500,000 in early 2011 to support the delivery of these outcomes.

5. PROPOSAL AND ISSUES

5.1. Contract Evaluation

5.1.1 An overview of the outcome of the procurement process can be found in Appendix A of the report on the exempt part of the Cabinet agenda.

5.2. Managed Services

5.2.1. At a high level, the new services will provide H&F with an outsourced HR and Finance operation for a range of the transactional aspects of those functions (see Appendix B of the Exempt report for a detailed list of services). Strategic capability and decision making in both Finance and HR will be retained in-house (ie. Corporate Finance, Service Business Partner Teams, Financial Advice, Budget Strategy, Budget Planning, Final Accounts, Treasury & Pension Fund Management and Taxation, Criminal Records Bureau (CRB) Checks, Job Evaluation, Psychometric Testing)

5.2.2. H&F will call-off both HR and Finance services starting in February 2013 for five years with the potential to extend for a further three years. This will result in a transition period with a "Go Live" on 1 April 2014. The transition will be over an extended period and will be business critical.

5.2.3. The framework will fall under a shared service governance structure chaired by Westminster. It will operate at a strategic level and an operational level and will oversee the supplier relationship and performance overall across all adopting boroughs. All change to the services will be undertaken at this level to reduce the risk of divergence from a unified approach, and increase the protection from poor performance of the supplier.

5.2.4. The supplier will be managed by a shared service Intelligent Customer Function (ICF) which will undertake the day to day contract management, supplier management, performance management, financial management (billing etc) change management and reporting. This streamlined approach to supplier management will enable us to collectively operate more efficiently and become a better customer which in turn helps to reduce costs through more effective engagement for the supplier. The ICF will be centred at Westminster as the framework owner. All participating boroughs will be represented through the full governance structure.

5.3. Direct Savings from Managed Service

5.3.1. The managed services procurement will result in direct cash savings on the current running costs of back-office services. The benefit is derived from the adoption of newer technology and standardised processes with no bespoke customisations in place (both of which drive up cost of maintenance) as well as the opportunity to deliver the services from outside London where cost of staffing these functions is likely to be lower.

5.3.2. In addition, the adoption of the Managed Services Framework by all Tri-Boroughs has the potential to yield increased savings and/or support the delivery of those savings targets already committed to by Tri-borough and Bi-borough services.

5.4. Indirect Benefits

5.4.1. As well as direct cashable savings there are other benefits to migrating to a managed services approach. These include the removal of responsibility for all ICT used to deliver these services (in line with the infrastructure free strategy for the boroughs), lower overheads through transformation of the way the Intelligent Customer Function is provisioned leading to clearer accountabilities and responsibilities, clearer and concise governance arrangements for the management of the services and alignment with the Pan-London convergence strategy.

5.4.2. Further benefits may accrue from wider adoption by other boroughs who are framework participants through the sharing of management costs and the volume discounts that are defined in the contract.

6. OPTIONS AND ANALYSIS

6.1. Initially, in considering the strategic case, various options were reviewed. For WCC, the preferred approach was the procurement of a Managed Service. What started as a Westminster need was soon supported by the Tri-Borough partners who then became active participants in the procurement. The main considerations were:

- potential benefits of alignment between Tri-Borough in terms of processes to ensure that the front office Tri-Borough services such as Adults, Children and Libraries were not left with multiple processes and systems;

- the need to generate direct cashable savings; and

- economies in the costs of the procurement and potential volume discounts only available through joint working.

6.2. At each stage of the procurement the business case was updated and the option to procure Tri-Borough Managed Services was revisited and validated. The outcome of the procurement meets these objectives in that:

- it will deliver the savings anticipated at the strategic level;

- if adopted by further boroughs, it will facilitate further savings;

- it has reduced the risk and cost of procurement of these services.

7. CONSULTATION

7.1. This procurement has been a major initiative for all three boroughs. It has been reviewed and endorsed throughout the procurement process by the comprehensive governance structures. These include the Tri-Borough Managed Services Board, the Tri-Borough Corporate Services Member Steering Group, the Tri-Borough Corporate Services Board, the HR Strategy Board and the Finance Integration Board.

7.2. The programme has also worked closely with the pan London Athena initiative to raise awareness of the Managed Services option for other London boroughs.

7.3. There is a significant impact on staffing within H&F with 36.7 permanent FTEs whose roles are subject to outsourcing. In addition, a small number of permanent staff employed by H&F Bridge Partnership will also be affected. The staff at risk will be subject to TUPE legislation and have the right to migrate to the new supplier.

7.4. Given that the preferred supplier, BT, is likely to provide all services from the North of England, should staff elect not to transfer under TUPE, then they will be entitled to redundancy.

7.5. This represents a redundancy risk of approximately £345,000, and this figure is built into the transition costs of £4.15 million within the business case. This is a worst case scenario, as we will make best efforts to redeploy staff into other positions within the Council.

7.6. The contract (TUPE and Pensions schedules) have been signed off by Finance and HR within Westminster and were drafted by DLA Piper employment experts.

8. EQUALITY IMPLICATIONS

8.1. With regard to the services to be outsourced, S149 of the Equality Act 2010 (the duty to give due regard to the need to eliminate discrimination, harassment and victimisation, advance equality of opportunity, foster good relations) is not relevant or affected because the services are not generally frontline services accessed by the public. However, where the supplier is dealing with the public (including communications), they will need to ensure that the service is accessible and in line with the requirements of the Equality Act.

8.2. Where the supplier is dealing with any kind of debt or tax bill (see Appendix B in the exempt report), they will need to ensure that the service is being provided in an accessible way in order that the service does not discriminate. For example, they may need to provide written documentation in a way that is accessible for people with a sensory impairment and they may need to take into account other communication needs where people are unable to use the telephone to get in touch with us.

9. RISK MANAGEMENT

9.1 A risk assessment for the programme is set out in Appendix C.

10. LEGAL IMPLICATIONS

10.1. WCC engaged DLA Piper for legal support and advice to ensure all legal compliance and procurement compliance aspects of the programme were suitably covered. The procurement has, under the guidance of and on advice from DLA Piper, been run in accordance with the latest EU procurement regulations. Key legal documentation has been drafted and reviewed by DLA Piper, legal aspects of the competitive dialogue was run by DLA and the evaluation of the legal aspects of the bids was undertaken by the DLA Piper legal team.

10.2. The Contract has been procured under the Public Contracts Regulations 2006 utilising the competitive dialogue process. In all procurements there is a risk of challenge from one or more bidders and it was therefore important to ensure that legal advice was taken at each stage to mitigate the risk and ensure compliance with regulations.

10.3. In order to meet the programme deadlines on the procurement, timetabling of dialogue with bidders was undertaken and agreed at every stage of the procurement. Although there were considerable time pressures to close dialogue, the bidders were effectively engaged at each stage of the process.

10.4. As Standard form contracts do not exist for these services, WCC adopted a combination of the OGC model contract and a “best practice” service based contract from another Government organisation. The contracts were drafted by external lawyers in line with instructions from Council Officers and consultants retained by WCC.

10.5. The dialogue with both bidders resulted in a negotiated set of contracts which, while they had moved a reasonable amount from the original drafting were still acceptable to all three boroughs. All derogations were pre-negotiated and evaluated as part of the procurement process. Specific derogations bid by the preferred supplier included:

- amendments to the extent of the warranties and indemnities in the contracts;
- lower limits than the original position on liability and more restrictive exclusions of liability;
- more restrictive termination rights; and
- an ability of the bidder to sub-contract more freely (including in respect of the appointment of sub-contractors to process personal data outside of the UK). This was because the service is a shared service that is already in existence and is not a bespoke service designed for the Tri-borough and other Participating Bodies. However, the bidder retains responsibility for the acts and omissions of all sub-contractors.

10.6. As these restrictions were discussed and agreed with the bidder prior to the submission of its final tender, the form of the commitment is clear and officers are comfortable with the overall protection that was still provided under the Contracts.

10.7. As the form of contracts have been substantially agreed prior to the preferred bidder being selected, there are no material issues that remain to be resolved with the preferred bidder during the preferred bidder stage. This substantially reduces the risk of the preferred bidder trying to re-negotiate the contracts during this final stage of the procurement. Also, in the event that they seek to re-negotiate or vary their final tender, the boroughs have the right to de-select them and move to the next reserve bidder.

11. FINANCIAL AND RESOURCES IMPLICATIONS

11.1. The adoption of managed services provides H&F with the opportunity to achieve a saving of £1.28m per annum, and a payback of 3.4 years (based upon a £4.15 million transition cost and an ongoing contract cost of £1.5 million).

11.2. The preferred bidder has set out its unit costs for the delivery of the Managed Service in a number of bands. The unit costs are based on the number of employees combined from all the call-off contracts in the framework contract.

The thresholds volumes for price changes are:

- Band 1 – 14,999 Employees – highest cost
- Band 2 – 15,000 to 49,999 Employees
- Band 3 – Over 50,000 Employees – lowest cost

11.3. Initially, when the three Councils (WCC, H&F and RBKC) combine their employee numbers they are in Band 1 of the bidders pricing model. The figures in this report have been calculated on that basis.

11.4. If the Tri-Borough Councils were to all exercise call-off contracts at the same time, they would still need another council to join the framework to attain the 14,999 level of employees to benefit from Band 2 and its reduced unit costs. It is estimated that if the Councils moved into this higher band level, it would give an additional £150k saving per annum.

11.5. The pricing model for the Finance and Procurement element of the lot only, also has a minimum number of employees set at 4,500. This means that even if employee numbers drop below this level, LBHF would still continue to be charge for Finance services on the basis of 4,500 employees. LBHF currently has 4,443 employees and so this has an immaterial effect on figures. However, further reductions in employee numbers over the life of the contract would only reduce costs for HR services – not Finance and Procurement.

11.6. Key points of consideration for the case below are:

- The figures include H&F's share of the £2.4 million procurement cost. This figure is reduced by £0.5 million from the Capital Ambition grant. The balance of the £1.9 million for procurement and initial transition planning has been shared between WCC, H&F and RBKC. The individual borough amounts have been divided into each Lot's business case with this case carrying a larger proportion due to the scale of Lot 1.

- The transition cost of £4.15m is based upon best estimates and includes the following assumptions:

- ➢ Redundancy costs at the mid-point between the lowest estimate of £266k and the highest estimate of £423k.

- ➢ Reworking of IT interfaces costs at the mid-point between the lowest estimate of £474k and the highest estimate of £674k

- ➢ Contingency for Staff Retention costs at the mid-point between the lowest estimate of £200k and the highest estimate of £400k

A full breakdown of the transition costs is given in Table 4. If the lowest variable figures were used, this would reduce the total transition costs to £3.87m. Whilst using the highest variable figures would increase the cost to £4.43m.

- No indexation has been included in these numbers (for clarity) but the preferred bidder contract assumes that charges will rise in line with CPI. No assessment of differential inflation has been included in the business case as it is assumed that, over time, the CPI cost increases in the contract would broadly match the cost increases incurred by the borough on in-house or other contracted services.

- Cashable savings will be realised through lower supplier charges in comparison to current supplier charges and employee costs.

11.7. The table below sets out H&F's financial business case.

Table 1: Summary of Costs, Savings and Payback Period

	Summary of Costs and Savings
Current Costs (£m pa)	2.88
New Contract Costs (£m pa)	1.50
ICF Contribution (£m pa)	0.10
Savings (£m pa)	**1.28**
Transition (£m)	4.15
Payback[2]	**3.4**

11.8 Managed Service contract savings are presently shown as a single amount and are assumed to fall to General Fund. There will be elements of the savings that may need to be apportioned to other Council activities e.g. Housing and Schools. Apportionments will be considered during the implementation phase of the Managed Services Programme. This does not impact the overall business case but may reduce the savings that accrue to the General Fund.

[2] Higher LBHF ICF costs in Years 1 and 2 of the contract reduce the annual saving by £110k pa for these years. This increases the payback period from 3.24 to 3.40.

11.9 The table below shows the existing MTFS savings which are dependent upon the successful transition to Managed Services.

Table 2: Summary of Existing MTFS Savings Linked to the Managed Services Programme

Dept	Description	2014/15 Saving (£k)
ASC	Commissioning, Finance and In-house Services - Total saving of £480k.	100
CHS	Finance Staff. Integrated finance team to support 1 integrated Children's Service executive team and services.	170
CHS	Further Finance Savings - revised structure for one shared cross-borough finance team.	80
ELRS	Implement joint ELRS single Finance Structure across LBHF and RBKC	46
SUB-TOTAL		**396**
FCS	Managed Services Savings	400
TTS	Contribution to Accommodation Savings	123
TOTAL		**919**

11.10 Table 2 reflects the general fund savings already included in the MTFS. The difference between the expected annual saving of £1.28m and the £0.919m saving in Table 2, is due to current assumptions about the share of savings which may need to be allocated to the HRA and Schools.

11.11 The table below summarises the impact on staff from the proposed savings:

Table 3: Summary of Permanent FTEs Affected by Managed Services (Lot 1)

Area	FTES
Departmental Finance Teams - notional FTEs	8
Central Finance & Procurement	19.7
HR	17
TOTAL	**44.7**

11.12 The following table sets out the build up of the £4.15 million of required transition costs required to successfully implement the Managed Service in 2013 and 2014 at H&F.

Table 4: Breakdown of Transition Costs

Type of Cost	Estimate (£m)	Notes
Bidder Transition Cost	0.30	Bidder transition costs are set out in their pricing documentation.
Hosting of Existing systems (dual running)	0.83	There will be the requirement to run existing systems in parallel with the managed service to fulfil statutory requirements.
Redundancy	0.35	This is an estimated value
Interface rework	0.58	With a best practice approach being adopted, existing interfaces from business systems will need to be reviewed and updated to comply with new requirements
Loss of Profit from HFBP Joint Venture	0.12	Reduced systems support and work from HFBP may reduce the profit share received by LBHF
Tri Borough Programme Management Costs	0.68	These programme costs ensure the programme is delivered on time and to specification
H&F Programme Management Costs	0.66	These programme costs ensure the programme is delivered on time and to specification.
H&F Communications	0.05	
H&F Training	0.08	
H&F Legal	0.05	
Data Cleanse	0.15	This is a significant piece of work with the onus on the Council to cleanse all its finance and HR data to the standards required by the Managed Service to streamline and regularise processes in the future
Contingency for Staff Retention during Transition	0.30	This ensures departmental staff are able to input to the process and are fully able to implement the new solution.
Total	**4.15**	

11.13 The cost to H&F of WCC managing the Intelligent Client Function (ICF) is projected to be £100,000 per annum. A Section 113 agreement will be set out the arrangements between the three Tri-borough councils in relation to the ICF.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	**Business Case (Exempt)**	**Hitesh Jolapara**	Town Hall, King Street
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APPENDIXES

Appendix A – Procurement overview (in exempt report)

Appendix B – Services overview (in exempt report)

Appendix C – Risk management

APPENDIX C

Risk Management

1. Risks and opportunities

1.1. The programme has managed the key risks throughout the procurement and residual risks post signature will need to be managed effectively. The key risks are below:

- **The supplier fails to deliver the transition successfully**. This is mitigated through the effective supplier management which is being performed by a combination of the new shared services ICF and the expertise in house. The contract provides good protection against failure. The preferred bidder will be relying upon successful transition to enable positive publicity which in turn will drive further customers to take up the service which is a strategic investment for the preferred supplier.

- **The programme negatively impacts the council's wider operations.** The implementation programme will be onerous and affect many areas of the Council's operation. The transition funding allows for the appropriate resources to lead and manage this change. However, risks may arise from conflicting priorities and pressures in the affected services of HR and Finance and in the wider organisation in adapting to new working practices.

- **Costs rise post signature.** The costs of the contract are fixed at the time of signature and may only vary in very specific ways. The contract does not allow for any price changes from the supplier in the absence of change from the customer save for indexation (currently CPI in the contract). This indexation was agreed due to the potential length of the contract (the final year of an 8 year call-off contract could be 12 years after signature of the framework when pricing is set. It would not be commercially viable to hold prices for 12 years).

- **Transition costs rise.** Transition costs are estimated to be £4.15 million for H&F. This is based upon the adoption of the standardised vanilla services. There is a risk that were there divergence from these standard services and process that the cost of transition may rise. Strong governance and controls are in place to prevent this and significant protections are built into the contract in terms of supplier performance.

- **Staffing impacts.** While the contract ensures that TUPE, pensions and redundancy is covered from a legal standpoint, the actual impacts upon individual staff will not be known until discussions with staff are undertaken post award. Those staff who elect not to be TUPE transferred to the new service provider would be subject to redundancy. The costs of redundancy have been estimated in the business case as 100% of all staff in scope being made redundant. This is unlikely to be the case once staff discussions are complete. However, the transition will need to be finalised with the preferred bidder and staff transition plans established before exact impacts can be calculated.

- **IT costs may vary due to scale and complexity of legacy systems.** This will arise on any transfer to a new outsourced provider, not just this option. In addition, negotiations will be required with incumbent suppliers on exit arrangements although work has been done to establish the parameters for early and later transfers in relation to contract expiry. This risk will apply to any outsource supplier but the risk is lower with the preferred supplier due to their size and experience in this area.

1.2. Opportunities also arise:

- Additional adopters of the framework will yield some financial benefit to the Tri-borough adopters once a further scale discount is achieved at around 10 customers.

- The supplier is incentivised to perform well under this contract as the framework is open to a wider London customer base and the preferred supplier will want to benefit from a reference customer to help drive further revenue.

- The contract makes provision for continuous improvement and incentivises the identification of further joint savings.