

## APPENDIX – CONTRACT RISK ASSESSMENT

Risk	Impact	Likelihood	Mitigation
<p>(1) Contracting out ill-matched with members' aspirations and culture</p>	<p>High</p> <p>This contract will only be successful if a high level of co-operation and trust is established between the Council and Capita. Should this be lacking, or should any significant friction arise between the parties, the contract is unlikely to deliver the quantum or kind of benefits that have been foreseen.</p>	<p>Indeterminate (this is a matter for members to decide)</p>	<p>The governance arrangements provide for regular, detailed engagement between senior officers, members and Capita. There will be ready access to Capita's staff to discuss issues of concern to members. In principle, therefore, it ought to be possible to resolve issues easily and constructively. It should, however, be recognised that by placing the service at arms length members will cede the ability to directly influence methods of service delivery. It may also be more difficult to secure the rapid re-prioritisation of work if this would have a significant impact on contractual work programmes. More generally, it is possible that over time the service will come to be seen as more remote and less responsive to members' day to day concerns. Provided members believe the benefits of the contract outweigh these issues and it is recognised it may take a little time to adjust to the new arrangements there is no reason to think this contract will not work as well as others that the Council has entered into. Given the political sensitivity of planning members will need to reflect carefully</p>

			on this issue.
(2) Contract costs exceed the cost of equivalent in-house provision	High	Medium	The price change mechanism should dampen the frequency and size of cost increases. The likelihood of an increase in volumes in the medium term coupled with the necessarily approximate relationship between volume changes and the need to purchase additional staff make it difficult to predict how contract costs will change compared with the cost profile that would be associated with keeping the service in-house.
(3) The Ocella upgrade is not delivered	High	Low	Capita and the Council have defined the upgrade carefully and both parties are satisfied Capita will be able to deliver this improvement quickly.
(4) Decision making arrangements are found to be unlawful	High	Low	The process of ratification set out in this report will avoid any decision being taken by a contractor. If, however, the arrangement were to be declared unlawful the consequence could be to make it impossible for Capita to deliver building control services within an acceptable cost envelope. In such circumstances the Council will need to be able to terminate the agreement. This provision is subject to final negotiation with Capita.
(5) Income achieved under the contract is significantly less than budgeted	High	Medium	The added value of this contract compared with in house provision derives in large measure from the

			income the Council may receive. The timing and quantum of this income is subject to so many variables there can be no guarantee that the outturn value will match the values that have been modelled. The only method of mitigating this risk is to collaborate closely with Capita so that its trading operation becomes as successful as possible. This is likely to require investment of both capital and revenue in the service at levels in excess of those associated with in-house provision – albeit the pay-back may be significant
(6) Guaranteed savings are not achieved	Medium to High	Low to Medium	Provided volumes and performance levels remain constant the savings will be delivered. In reality volumes will vary. It follows that the achievement of savings will turn on effective cost control. Issues associated with cost control have been dealt with previously in (2).
(7) Client side arrangements are inadequate	Medium	Low	Provided the arrangements for managing all major third party contracts are rationalised by the creation of central contracts team within 12 to 18 months client side pressures ought not to pose insuperable difficulties. The adequacy of the client side may also be challenged if arrangements for delegated decision making are found to be unlawful. In that event, termination needs to be an option

			that is available to the Council (see [4] above).
(8) Inadequate specification of the service leads to significant cost increases	Medium	Low to Medium	Planning and building control cannot be specified precisely. Nonetheless the specifications that have been drawn up ought to have captured the principal cost drivers. It follows any impact on cost through lack of specificity should be of marginal significance in year, although over a 15 year term relatively modest additional costs may have a significant impact on the overall value of the contract to the Council.