

Review of Capita contracts

19 December 2018 – 15 February 2019

Consultation document

Section 1: The purpose of this consultation document

The council has an ongoing statutory duty to make improvements in the economy, efficiency and effectiveness of its functions. This is known as the “best value” duty. As part of this duty, the council is reviewing the arrangements under which it currently delivers some of its services through two major contracts. We would like to know your views on how the council can achieve best value in the way these services are delivered in the future. This document sets out information about the review and the questions on which we would like your views. Details of how to respond to this consultation can be found in section 4.

The consultation responses will be taken into account by the council in deciding on the way forward.

Section 2: Background

The council has a longstanding approach to service delivery, which is based on commissioning services from whichever organisation can deliver them most effectively. This might be from a partner in the private sector, the voluntary or community sector, or the public sector, or it might be provided “in-house”, by which we mean provided by staff employed directly by the council.

In accordance with this approach, the council currently has two major contracts with the private sector company Capita, and this consultation concerns these two contracts.

The first, known as the CSG (Customer and Support Group) contract, is for the delivery of the council’s “back office” functions, including finance, human resources, customer services and information technology. The CSG contract is between the council and Capita.

The second, known as the RE (Regional Enterprise) contract, relates to the provision of development and regulatory services. These include planning, regeneration, highways, environmental health and cemeteries/crematorium. These services are delivered through a joint venture company that is jointly owned by Capita and the council, known as Regional Enterprise Limited, or RE.

The contracts began in September 2013 and October 2013 respectively and are due to run for ten years, with an option to extend for up to a further five years.

Both contracts have delivered significant financial benefits since their commencement in 2013 and have been instrumental in delivering efficiencies, service improvements and increased income across a range of services. Particular benefits have included:

- Significant improvements in resident satisfaction across both contracts
- Investment in technology and better IT security
- Improved revenue collection rates
- Implementation of a new pay and reward structure (Unified Reward) for council staff
- Improvements in planning and planning enforcement
- Additional savings through, for example, office rationalisation
- National recognition

However, there have also been various issues in respect of service performance across the two contracts. In relation to the CSG contract, recent issues have included: financial controls and reporting, linked to the fraud committed within the Regeneration service; pensions administration; estates; and user satisfaction with back office services. In relation to the RE contract, there are issues with financial controls, identified as a result of the fraud committed by an employee of RE, and the operation of the Highways service.

The council regularly reviews its service delivery arrangements, in line with its commitment to ensuring that they are as effective and efficient as possible. Detailed reports on the performance of both contracts were provided to the Council's Performance and Contract Management Committee (now Financial Performance and Contracts Committee) on 15th November 2016 in relation to the CSG contract (available at: <https://tinyurl.com/yby82ta4>) and 28th November 2017 in relation to the RE contract (available at: <https://tinyurl.com/yc8qhb8f8>). Further reviews are due under the contracts in 2019 and 2020 respectively.

The environment in which local government is operating has changed since the contracts were let. Whilst both contracts envisaged the need to adapt to changing circumstances, the outsourcing market has changed over time.

Against this backdrop, it is considered to be timely to take stock of the arrangements made under the CSG and RE contracts. To that end, a **Strategic Outline Case** (available at: <https://tinyurl.com/y8684zj2>) for the review of the contracts was considered by the Policy and Resources Committee on 19th July 2018. The Strategic Outline Case set out three options, which were:

- Option 1 – maintain the status quo in relation to the CSG and RE contracts;
- Option 2 – re-shape the contracts to better align service delivery to the council and Capita's strengths and priorities (in practice, this would mean some services being returned in-house to be delivered directly by the council in future)
- Option 3 – bring the partnership to an end and either bring services back in-house or re-procure them from an alternative provider

The Committee agreed that there should be a review of the council's arrangements under the CSG and RE contracts, and to that end authorised the Chief Executive to develop a Full Business Case for the future of these arrangements. The Committee agreed that the proposed strategic aims underpinning the Full Business Case should be to:

- a) Deliver high quality services;
- b) Secure best value for money for Barnet's residents; and
- c) Strengthen the council's strategic control of services.

Based on the Strategic Outline Case, the Committee agreed that its preferred option was option 2, re-shaping the CSG and RE contracts to bring some services back in-house, to be delivered directly by the council. However, the Committee also agreed that it required the Full Business Case to test and consider both options 2 and 3.

A further report, setting out the work that had been undertaken on developing the business case, was considered by the Policy and Resources Committee on 11th December 2018 (available at: <https://tinyurl.com/ybgvt5w5>). The report concluded that further detailed analysis would be needed to form the basis of a sound recommendation to the Committee in relation to the totality of the CSG and RE contracts. The Committee agreed that, subject to the outcome of consultation, the Finance and strategic HR services should be returned to the council as a matter of priority. It also agreed a revised approach to completing the review, which tests and considers each service against the strategic aims (as outlined above) to determine who is best placed to provide that service in the future. These reviews will cover all services provided through the contracts on a phased basis. It is this new approach and the strategic aims that we are seeking your views on.

Section 3: What we are seeking your views on

The council is asking for your views on the proposed approach, to assist us in selecting the most appropriate option for delivering best value from each of these services in the future. We would like your views on the proposed aims, which we intend will form the basis of assessing who is best placed to provide these services in the future. We also want your views on the proposed prioritisation of services in the review, which will be conducted on a phased basis, and your views on the council's approach for delivering services.

Details of how to respond to this consultation can be found in section 4.

Our aims

In developing the Strategic Outline Case, officers were guided by three key aims, which were also agreed by the Policy and Resources Committee on 19th July 2018. It is proposed that the options for each service should be evaluated against these aims, which are to:

- a) Deliver high quality services;
- b) Secure best value for money for Barnet's residents; and
- c) Strengthen the council's strategic control of services.

In assessing each service against the three aims identified above, the council would consider the following factors:

For the high-quality services aim:

- Performance of CSG and RE against key performance indicators in the contract
- Customer satisfaction data (where available)
- Which provider is best placed to improve performance in that service area, if required

For the value for money aim:

- The one-off costs of implementing any change
- The impact of any change on future running costs
- The extent to which the cost of making any change is affordable, in the context of the council's wider budget challenges

For the strategic control aim:

- The role of the service in developing and delivering the council's strategic direction
- The requirement for the service to respond rapidly to evolving priorities and circumstances
- The extent to which the service is based on standard processes across different councils

We would like to hear your views on:

- *The extent to which you agree or disagree with each of the three aims that have been identified, as the basis on which the future delivery arrangements for each service should be assessed*
- *If you disagree with any of our aims, or that they should be the basis on which future delivery arrangements should be assessed, why that is the case*
- *If you feel we should have any additional aims, or there are other factors that should be considered, what you think these should be and why.*

Phasing of the review

The report to Policy and Resources Committee proposed that services be reviewed in the following order of priority:

Phase 1: Finance (budgeting, accounting and financial control) and strategic Human Resources (advice and support to the council on people management issues)

These services have been prioritised in light of the recent performance issues, and because the process of insourcing services requires the council to have access to appropriate HR and finance resource. On 11th December 2018, the Policy and Resources Committee agreed that, subject to the outcome of consultation, these services should be returned to the council as a matter of priority. The implementation of this proposal will be reviewed in the light of the responses to this consultation.

Phase 2: Highways and Regeneration (supporting growth and development in the borough)

It is proposed that the next phase of the review should cover these services, due to ongoing concerns regarding performance and financial control issues, as well as the strategic importance of these services.

Phase 3: Barnet-based, customised services

It is proposed that the third phase of the review will cover services that are local to Barnet, and do not align with Capita's strategic direction of travel. This includes:

- Estates (managing the council's land and buildings)
- Social Care Direct (first point of contact for social care services)
- Safety, Health and Wellbeing (advising the council on health and safety matters and staff welfare)
- Strategic planning (planning policy, major developments and infrastructure planning, heritage services)
- Cemetery and Crematorium
- Procurement (advice and support to the council on buying goods and services)

Phase 4: volume transactional services

It is proposed that the final phase will be high volume transactional services, many of which are based outside of Barnet. These will be considered alongside the Year 7 contract reviews of CSG and RE, beginning from September 2019, and will include:

- Revenues and benefits (council tax and non-domestic rates billing and collection; housing benefits)
- Customer services (first point of contact for the public across all services, other than social care)
- Information Services (provision of IT systems and hardware to the council)
- Planning (planning applications and planning enforcement) and regulatory services (building control, land charges, trading standards, licensing and environmental health)
- Payroll and Pensions Administration

The phases are currently just what is proposed and it may be that circumstances (including, but not limited to, your consultation responses) mean that they are changed as the review progresses.

We would like to hear your views on:

- *The extent to which you agree or disagree with the proposed order of services that are being prioritised in each phase*
- *If you disagree with the order of any of the proposed phases, which services you think should be given higher or lower priority and why.*

Additional information to support the council's assessment of service delivery options

To inform the council's assessment of service performance, we are keen to hear about your experience of using the services that are provided through the two contracts.

We would like to hear your views on:

- *If you, your family or your business have had direct experience of using any of the following services, what you think about the quality of that service(s) overall.*
- *If you rate any of the services as "poor" or "very poor", why you think that.*

Council services can be outsourced, where they are provided by a partner in:

- the private sector;
- the voluntary or community sector; or
- the public sector, for example by another council

Alternatively, they can be provided in-house, where they are delivered by staff employed directly by the council.

As stated in Section 2, Barnet council has a longstanding approach to service delivery, based on commissioning services from whichever organisation can deliver them most effectively, i.e. a mixed economy of in-house and outsourced provision, where the most appropriate provider for a particular service is determined on its merits.

We would like to hear your views on:

- *The extent to which you support or oppose this approach, i.e. a mixed economy of in-house and outsourced provision, where the most appropriate provider for a particular service is determined on its merits.*
- *If you have any views or preferences on how services should be provided please write in.*
- *Any other comments you wish to make about the review.*

Section 4: How to respond to the consultation

We are opening this consultation to all service users, residents and business owners in the borough, as well as to people who work in Barnet.

Respondents are asked to complete the questionnaire online at www.engage.barnet.gov.uk by 15th February 2019.

If you would like a copy of the survey in an alternative format, please contact:

Kieran Hyland, SCR Programme Support
Commissioning Group
Barnet Council
Building 2 NLBP, Oakleigh Road South, London, N11 1NP

E-mail: kieran.hyland@barnet.gov.uk
Telephone: 020 8359 3224

Section 5: How we will use the results and feedback

We will be taking all your views, ideas, opinions and feedback on board to inform the basis for assessing the future delivery arrangements for each service and the proposed prioritisation of services for review.

In respect of the proposal to bring the Finance and strategic HR services back in-house, the Chief Executive, in consultation with the Chairman of the Policy and Resources Committee, will consider the responses to the consultation and assess whether or not to proceed with the in-sourcing of those services.

A report will be submitted to the Policy and Resources Committee setting out the findings from consultation, as soon as possible after the conclusion of the consultation process. We will also publish the findings on Engage Barnet.