

	<p>Financial, Performance and Contracts Committee</p> <p>19th June 2019</p>
<p>Title</p>	<p>Review of Capita Contracts – Lessons Learned</p>
<p>Report of</p>	<p>Director – Commercial and IT Services</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>None</p>
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Summary

This report provides a summary of the lessons learned from the transition of the Finance and Strategic HR services back to the council on 1st April 2019.

Officer Recommendations

That the Committee:

- 1. Notes the successful return of Finance and Strategic HR services to the council.**
- 2. Notes the lessons learned from the process, which will inform any future in-sourcing activity.**

1. WHY THIS REPORT IS NEEDED

- 1.1. At its meeting on 11th December 2018, Policy and Resources Committee considered a report setting out the work that had been carried out on developing the business case for realignment of the Capita contracts as originally agreed by the Committee on 19th July 2018.
- 1.2. Based on detailed analysis of the Finance and strategic Human Resources (HR) services, the report recommended that these services be returned to the council as a matter of priority, subject to the outcome of public consultation.
- 1.3. In accordance with the recommendations that were agreed by Policy and Resources Committee in December 2018, work progressed on the preparation for returning the Finance and Strategic HR services to the council, in parallel with the conduct of public and best value consultation. Following the conclusion of the public and best value consultation exercise on 15th February 2019, the Chief Executive, in consultation with the Chairman of the Policy and Resources Committee, duly considered the responses from the consultation and an updated equality impact assessment and concluded that the return to the council of the Finance and Strategic HR services should proceed on 1st April 2019, subject to completion of the necessary due diligence and contract change documentation. This decision was documented in a Delegated Powers Report, dated 27th March 2018. The contractual due diligence was completed and the necessary Contract Change Notice signed on 29th March 2019, thus enabling the transfer to take place on 1st April 2019.
- 1.4. Due to the significant efforts of the teams from both parties, the transfer of staff and associated technology took place smoothly on 1st April 2019.
- 1.5. Programme Teams from both Capita and LBB were jointly asked to provide a lessons learned report within six weeks following the date of transfer, with a view to informing a further report on the review of Capita Contracts that is due to be submitted to the Policy and Resources Committee on 17th June 2019. This report was informed by a series of workshops covering all workstreams and involving officers from both Capita and the council that played key roles in the transfer process.

2. LESSONS LEARNED

- 2.1. The lessons learned report recognises that there was a high level of commitment demonstrated by both council and Capita colleagues across all the work-streams, with the objective of ensuring that the transfer of Finance and Strategic HR services would take place on 1st April 2019.
- 2.2. The transfer itself, and the lead-up to it, proved to be largely seamless. This is attributed to strong project management from both parties. The transfer was overseen by a Joint Programme Review Board, which gave the respective programme teams the focus and governance that was required to make the transfer happen within what was a very tight timescale.
- 2.3. As a result of the transfer, the council and Capita both now have a much better understanding of the depth and scope of work required to facilitate a transfer, particularly in the areas of financial modelling, commercial preparation and negotiations, and operational readiness. The transfer was delivered through a number of workstreams, both service-specific and cross-cutting, drawing on input from the council's HR, finance, commercial, IT, legal and communication teams. This input was co-ordinated and supported by the dedicated Programme Team.
- 2.4. Each workstream involved multiple joint meetings during the period up to the transfer, in addition to work taking place outside those meetings. In addition to the direct cost of the Programme Team and legal support, it is estimated that the time input to meetings during the period January to March 2019 from the council's commercial, finance, IT and HR teams was approximately 250 days. On the basis of an assumed rate of £500 per day (including all overheads), this equates to an opportunity cost of approximately £125k.
- 2.5. The Change Notice itself, along with its appendices, runs to some 400 sides of A4 and covers the critical contractual changes only. It includes the following documents:
 - Revised output specifications to cover the Finance and HR services that are being retained by Capita
 - A new output specification for the Integra and Core HR information systems, as they are required to support the delivery of services that are now with the council
 - Revised method statements to cover the Finance and HR services that are being retained by Capita
 - Identification of new key performance indicators (KPIs) and performance indicators (PIs) to cover the Capita retained services, as well as identification of KPIs and PIs that will require amendments
 - Detailed schedules of the assets, software and third-party contracts that needed to transfer with the services
 - Detailed information on the staff that would be subject to TUPE regulations

- Agreement regarding ongoing responsibilities in respect of the financial controls rectification programme
- Detailed agreement in respect of changes to the financial model

2.6. A further, supplementary Notice is required to confirm some of the supporting detail and it is anticipated that this will be completed by the end of June 2019. This will include finalising the agreement of:

- Interfaces between the Finance and HR services that have transferred, the Finance and HR services that have been retained by Capita and the Pensions Administration service
- The detail of the new and revised KPIs and PIs
- Any amendments to service volumes and service provider commitments

2.7. Once completed, the revised contractual documents will be published (redacted as required) on the Open Barnet portal.

2.8. The work required to consider the implications of the changes through the hierarchy of commercial documents was exceedingly complex and not fully understood at the beginning of the process. As a result, more time than was anticipated was spent in the early stages focusing on commercial and contractual issues. This resulted in preparation for operational readiness being pushed closer towards the April transfer date than originally envisaged. The joint Programme Teams suggest that in future, separate discussions are arranged to focus on commercial and operational readiness issues, so that both can proceed in parallel.

2.9. In retrospect, the use of the term “lift and shift” (to describe a transfer process involving no immediate change to structure or processes) within the programme teams meant that, in the early stages of the transfer, a lack of urgency was evident in some quarters, as the complexity of the task was considerably under-estimated. As a result, the most significant progress was made in the two months immediately prior to the date of transfer, leaving supporting functions and work-stream leads being stretched, whilst also having to meet business as usual priorities. The joint Programme Teams suggests that in future, terms such as “lift and shift” should be avoided, as they lead to a culture of under-estimating the scale of the task.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1. None.

4. POST DECISION IMPLEMENTATION

4.1. The content of this report will inform the implementation of future phases of the

review.

5. IMPLICATIONS OF DECISION

5.1. Corporate Priorities and Performance

5.1.1. Whilst this report has no direct implications, it will inform future phases of the contract review, the aims of which have been designed to ensure high quality, good value services, as envisaged in the council's Corporate Plan.

5.2. Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1. There are no direct implications from this report.

5.3. Social Value

5.3.1. There are no direct implications from this report.

5.4. Legal and Constitutional References

5.4.1 Under the Council's Constitution, Article 7, Committees, Forums, Working Groups and Partnerships the terms of reference of the Financial Performance and Contracts Committee includes the responsibilities for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Assets, Regeneration & Growth Committee; Children, Education & Safeguarding Committee; Community Leadership & Libraries Committee; Environment Committee; or Housing Committee
- The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy & Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy & Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee

- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

5.5. Risk Management

5.5.1. The council has an established approach to risk management, which is set out in the Risk Management Framework. All risks are reviewed on a quarterly basis (as a minimum) and the corporate risk register (comprising strategic and high-level service/joint risks) is reported to Policy and Resources Committee as part of the quarterly Strategic Performance Report. There are no specific risks arising from this report.

5.6. Equalities and Diversity

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

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

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

5.6.3 In order to assist in meeting the duty the council will:

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

5.6.4 There are no direct implications from this report.

5.7. Corporate Parenting

5.7.1. There are no direct implications from this report.

5.8. **Consultation and Engagement**

5.8.1. There are no direct implications from this report.

5.9. **Insight**

5.9.1. This report provides information that will assist in the delivery of future phases of the contract review.

6. **BACKGROUND PAPERS**

6.1. Report to Policy and Resources Committee, Review of Capita Contracts – Strategic Outline Case:

<http://barnet.moderngov.co.uk/documents/s47263/Capita%20Realignment.pdf>