

**ACTION TAKEN BY CABINET MEMBER (EXECUTIVE FUNCTION)**

<b>Subject</b>	<b>Variation to CSG Contract for the adjustment of Employment Costs.</b>
<b>Cabinet Member</b>	Cabinet Member for Resources and Performance
<b>Date of Decision</b>	21 May 2014
<b>Date of decision comes into effect</b>	1 June 2014

<b>Summary</b>	The CSG Contract, under Clause 15.4.1, allows for the reconciliation of Employment Costs between the provision of Warranted Data and the actual Employment Costs at the Service Commencement Date (SCD). These additional costs are a result of the Councils pay awards of 1% and Spinal Point increases applied after the Warranted Data was provided in March 2013 and the actual data in August 2013. Any additional costs are offset by an early refund on the Redundancy Provision in the Contract as there were fewer permanent employees at the time of transfer than originally planned.
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<b>Officer Contributors</b>	Marcus Hobbs, CSG Partnership Manager
<b>Status (public or exempt)</b>	Public
<b>Wards affected</b>	All
<b>Enclosures</b>	None
<b>Reason for exemption from call-in (if appropriate)</b>	N/A
<b>Key decision</b>	No

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## **1. RELEVANT PREVIOUS DECISIONS**

- 1.1 Cabinet – 6th December 2012, New Support and Customer Service Organisation (now renamed as the Customer Support Group – CSG) – Recommendation for Preferred and Reserved Bidder and Full Business Case

## **2. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 2.1 This change supports the Council's corporate priorities.

## **3. RISK MANAGEMENT ISSUES**

- 3.1 None.

## **4. EQUALITIES AND DIVERSITY ISSUES**

- 4.1 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
  - Advance equality of opportunity between those with a protected characteristic and those without.
  - Promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.
- 4.2 Capita has committed to the provision of services under the Equality Act 2010 in the CSG contract.

## **5. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

### **5.1 Finance**

- 5.1.1 This contract variation requires a one off payment of £451k which is offset against an early refund of the Redundancy provision included in the Contract Price. The value of the refund is £1.218 million and is not contractually due until 5 years into the contract. The net value of this change is therefore a refund of £767k.

### **5.2 Procurement**

- 5.2.1 This variation is within the limits of the OJEU notice published for the NSCSO contract.

### **5.3 Performance & Value for Money**

5.3.1 None.

#### **5.4 Staffing**

5.4.1 None

#### **5.5 IT**

5.5.1 None

#### **5.6 Property**

5.6.1 None

#### **5.7 Sustainability**

5.7.1 None

### **6. LEGAL ISSUES**

6.1.1 Cabinet has given authority for the CSG contract to be entered into with Capita. The CSG contract has been procured in compliance with EU procurement rules and incorporates the process for contract changes in Schedule 14.

6.1.2 The contract change will be documented in a formal contract variation approved by Legal Services

### **7. CONSTITUTIONAL POWERS**

7.1 This change is compliant with the Councils Contract Procedure Rules and within the limits authorised for Cabinet Member approval identified in Appendix 1 – Table A of the CPR.

### **8. BACKGROUND INFORMATION**

8.1 Clause **15.4.1** of the CSG Contract **states;**

*The Service Provider acknowledges that the Authority has provided information about the Transferring Employees in the categories set out in Schedule 19 (Workforce Information). The Authority warrants that this information is accurate and complete as at the date of this Agreement and that the Transferring Employees were employed by the Authority immediately prior to the Service Transfer Date. The Authority shall update Schedule 19 (Workforce Information) not less than fourteen (14) days prior to the Service Commencement Date. The Authority shall have no liability to the Service Provider for a breach of this warranty in relation to any claim advanced by the Service Provider after six (6) months from the Service Commencement Date.*

The warranty set out above means that where there has been cost of employment changes that mean that Schedule 19 was inaccurate, Capita is

able to seek the differences in those costs of employment changes as long as this is done within 6 months of SCD (end February 2014). Capita has further sought to use reprioritisation when calculating these cost of employment rises by accommodating the cost impact of all changes relating to acting up roles, additional agency costs, and in working patterns and any promotions or new posts as a reprioritisation and instead is only seeking the inflationary and increment point rises that would naturally occur during the contract but have been applied in the period between agreeing the contract and SCD as a result of the delays in contract signing.

The cost impact of the true employment cost applied in line with the contract is £451k. Capita has mitigated the cost impacts by agreeing a mechanism to pro rata the cost based on the actual period of employment for the affected staff and the associated employment costs calculated in February 2014 to ensure that the cost relates only to the period of employment taking into account

- any affected staff that are released due to redundancy following the consultation on the restructure of the services following transformation and the relocation of roles,
- Any staff included in the employment cost recalculation that will remain in post beyond the consultation period

The total cost of this employment cost recalculation is £451k, taking into account the actual expected period of employment during year 1 for the affected staff as a result of the anticipated redundancies that will occur due to the transformation and restructuring across the services.

**The second element of this change** relates to a contract change in which Capita has agreed to amend the contract and release some of the contractual redundancy provision earlier than the contract obligation of year 5 in order to help offset the costs of the reconciliation under clause 15.4.1 and other contract changes that need to be applied.

This early release of redundancy under spend has been facilitated by the significant shift from permanently employed staff (assumed in the contract price) to temporary staff in place at SCD which will reduce the redundancy payments that will be required for staff released following the full redundancy consultation being undertaken (and completed on 6<sup>th</sup> January 2014) and transformation programme being undertaken by Capita.

In estimating the early release of redundancy savings Capita will be taking on additional risk versus the current contract position, making this a nil risk change for the Authority.

The value of the refund is £1.218 million from which the employment cost true up will deducted, resulting in a refund of £767k.

## **9. LIST OF BACKGROUND PAPERS**

### **9.1 CR014 Employment and redundancy cost reconciliation v08**

**10. DECISION OF THE CABINET MEMBER(S)**

**I authorise the following action**

10.1 That the CSG Contract be updated to reflect these changes.

**Signed**            **Councillor Daniel Thomas**

**Date**             **21 May 2014**