

## **Appendix Hi - Contract Benefit Realisation Tracking – CSG Contract**

### **Introduction**

The London Borough of Barnet entered into two agreements with Capita in 2013 – one for the delivery of back office services (finance, HR, Procurement, estates and project support) and one for the delivery of regulatory services through a joint venture (covering planning, environmental health, highways and regeneration).

Both of these contracts have been published on the Council's website:

- CSG has the value of £265m over 10 years
  - <https://www.barnet.gov.uk/citizen-home/council-and-democracy/one-barnet-transformation-programme/customer-and-support-group-csg/customer-and-support-group-csg-formerly-nscso-contract.html>
- Re has the value is £150m over 10 years
  - <https://www.barnet.gov.uk/citizen-home/council-and-democracy/one-barnet-transformation-programme/regional-enterprise-ltd-re/regional-enterprise-ltd-re-contract.html>

These contracts contain similar but complex payment structures and mechanisms. This page seeks to set out the payments paid to date and those to come against those set out in the initial business case for these contracts.

### **Types of payments**

#### ***Pre-contract payments***

The application for judicial review in 10<sup>th</sup> January 2013 and the appeal of the judicial review decision on the 2<sup>nd</sup> of August 2013 led to a delay in contract which started on the 1<sup>st</sup> September 2013. This resulted in the council entering a contract to provide interim support for the continuation of critical services (Customer Services and Revenues and Benefits mainly). Payments of £126k were made to cover a 5 week period for IT services from the 1<sup>st</sup> April 2013.

The link to this Delegated Powers Report (authorised by the Chief Operating Officer on the 24 May 2013) sets out further details:

<http://barnet.moderngov.co.uk/documents/s9026/2057%20-%20Interim%20Measure%20for%20Continuation%20of%20Critical%20Services.pdf>

The council's ICT infrastructure managed service supplier, 2e2 (UK) Limited, served notice of administration to the council. This led to the council entering an emergency arrangement to secure the continuation of critical IT infrastructure services. Payments of £67k were made to Capita.

The link to this Cabinet Resources Committee report sets out further details:

<http://barnet.moderngov.co.uk/documents/s8397/Interim%20IT%20Infrastructure%20Support%20Solution.pdf>

**TOTAL £193k – as set out at ❶a of the CSG benefit realisation sheet (shown on s/s as £14.933m – pre contract payment and interim service agreement)**

#### ***Interim Service Agreement***

The application for judicial review and the appeal of the judicial review decision led to a delay in contract signature. This resulted in the council seeking Cabinet Resources Committee authorisation to waiver the Contract Procedure Rules to enter into an interim contract with Capita up to the value

of £14.74m to secure business critical activities on the 24<sup>th</sup> June agreeing a waiver to the 31<sup>st</sup> January 2015 however, as a result of the judicial review the contract commenced on the 1<sup>st</sup> September 2014

Of the £14.74m payment made to Capita in respect of the interim service agreement, £0.98m were in respect of cost of services provided in the interim period. £4.06m was refunded to the council once the formal contract had been signed and the following two amounts were off-set against the full value of the 10 year contract as these costs were anticipated within the financial modelling:

£5.64m – for service transformation in relation to transferring services

£4.06m – for business as usual service charges

The link to this Cabinet Resources Committee paper sets out further details:

<http://barnet.moderngov.co.uk/documents/s9372/727203%20-%20CRC%20Report%20-%20Interim%20Procurement%20Solution%20-%20Public%20Final.pdf>

**TOTAL £14.74m – as set out at ①a of the CSG benefit realisation sheet (shown on s/s as £14.933m – pre contract payment and interim service agreement)**

### ***Contract payments***

The schedule for the core contract payments of the 10 years is presented in the benefits realisation sheet.

**TOTAL £265m – as set out at ①b of the CSG benefit realisation sheet**

### ***Transformation***

Within the Output Specifications of the contract, details of activities to transform services are outlined, these include

- My Account
- Customer Access Strategy
- IS Strategy
- Community Asset Strategy
- Significant System Change including Integra and HR Core

These can be found in more detail using the following link

<https://www.barnet.gov.uk/citizen-home/council-and-democracy/one-barnet-transformation-programme/customer-and-support-group-csg/customer-and-support-group-csg-formerly-nscso-contract/schedule-1---output-specifications.html>

On commencement of the CSG contract, the council paid the remainder of the transformation monies £10.5m (£16.1m less £5.6m paid under Interim Service Agreement).

### ***Gainshare***

As part of the Contracts, some savings are eligible to a gainshare agreement. This means any that savings are eligible for gainshare, however all of these have guarantees attached to them. If these guarantees are not successfully achieved (assessed annually), then payments are made to the council up to the guarantee to ensure the saving is achieved. These gainshare payments are intended to incentivise the service provider to provide further benefits to the council. The gainshare percentages vary in each area and in some cases, in contract years.

The totals applicable are outlined at ② to ⑤ in the spread sheet. Capita have guaranteed procurement savings of £46.9m over the life of the contract. The total savings of £55.4m (made up of procurement, reduction in single person discounts and additional council tax income) are applicable to gainshare but if the guarantee is not achieved, payment will be made to the council.

### ***Service Credits***

Where there has been underperformance against a contracted KPIs (please see quarterly performance reporting for details), a service credit is paid to the council. This is a monetary amount, present by the payment mechanism as a separate item. This is not included in this spreadsheet, but is reported as part of the contract's quarterly reporting.

### ***Contractual Adjustments***

This includes adjustments in line with those outlined in the contract. This includes:

- annual indexation of the contract against inflation, and
- True-ups relates to a correction of assumed pre-contract costs to true cost to contract signature.

The totals applicable are outlined at ⑥ in each spreadsheet.

### ***Project***

The CSG and Re contract provide project management capacity which are paid for separately and captured as part of the cost of the project. The amount paid for this will vary depending on the number of projects being undertaken and before the CSG and Re contract would have been money we would have incurred with other third party consultants or organisations.

For some of these projects the council receives or recovers monies from third party partners in order to undertake the work. Example of this include but are not limited to Transport for London highways works which are grant funded by TfL and work carried out on regeneration projects which is typically recovered from development partners.

The totals applicable are outlined at ⑦ in each spreadsheet.

## GLOSSARY

Gainshare	Gainshare means a distribution of benefits between the Authority and Service Provider in relation to a benefit calculated by reference to the relevant provision within Schedule 4 (Payment and Performance Mechanism), or business case developed under the provisions of Schedule 15 (Special Projects Approval Procedure) [page 22 – Contract Body]
Indexation	The Periodic Service Payment shall be indexed in accordance with the provisions of Schedule 4 (Payment and Performance Mechanism). [page 135 – Contract Body]
True up	<p>This relates to a correction of assumed pre-contract costs to true cost to contract signature.</p> <ul style="list-style-type: none"><li>• This occurred due to the time delay in signing the contract – as a result of the Judicial Review – leading to an increase in the number of staff transferred (TUPE) to Capita on contract commencement.</li><li>• This also relates to contract expenditure which was not fully accounted for in the transferred budget.</li></ul>
Transformation	Within the Output Specifications of the contract, details of activities to transform services are outlined, these include finance system change to Integra, HR system change to Core, invoice scanning and improvements to the IT infrastructure.