



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICER:	Executive Director Resources and Transformation
DATE:	15 January 2015

PORTFOLIO/S AFFECTED:	All
WARD/S AFFECTED:	All
KEY DECISION:	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>

SUBJECT: Strategic Partnership Review Update

1. EXECUTIVE SUMMARY

The current 15 year strategic public private partnership contract between the Council and Capita ends on 30 June 2016 and in accordance with the terms of the contract, the Council must give formal notice of termination on the contract no later than 12 months prior to the contract end date.

2. RECOMMENDATIONS

That the Executive Board:

- i) Notes that the current partnership between the Council and Capita is one of the earliest, longest lasting and most successful multi-disciplinary public private partnerships of its kind,
- ii) Notes that the partnership has delivered or exceeded its key original economic regeneration objectives,
- iii) Notes that, in accordance with the terms of the contract, formal notice will be served on Capita that the current public private partnership contract will terminate on 30th June 2016 in line with the original contract agreement.

3. BACKGROUND

Following a full procurement process, the Council and Capita entered into a 15 year public private partnership (PPP) on 1st July 2001 which covered a wide range of Council services with around 500 Council staff transferring to Capita under TUPE (transfer of undertakings protection of employment regulations).

At the time the key strategic objectives for the partnership focussed on economic regeneration in the borough and targets set included job creation, the establishment of a business centre in the borough and support for local businesses and communities. Capita have delivered and exceeded these targets with the Capita Blackburn Business Centre (CBBC) built at Castleway House and India Mill in Darwen providing hundreds of new jobs. The original job creation target was 500 jobs in 5 years and Capita delivered over 700 jobs within the first 2 years of the partnership. Capita have also supported schools, community groups and charities over the years.

Capita also invested in service improvement with the improvement in the revenues and benefits service in terms of collection rates and processing times being of particular note. Many other public

and private sector contracts in a number of different specialisms are now delivered from Castleway House, including offsite benefit processing for a number of other local authorities.

The Capita Property and Infrastructure division (formerly Capita Symonds) has also been instrumental in supporting the regeneration of the town centre, acting as technical advisors to the Council on the Building Schools for the Future programme and other key capital projects including the Wainwright Bridge, Darwen Leisure Centre and the new Blackburn Market.

The initial services transferred in 2001 included:

- revenues, benefits and customer services
- adults and children's social services finance and administration
- debtors, creditors and some departmental management accounting
- HR, administration, payroll and occupational health services
- all IT services
- architectural and technical services
- highways and transport services
- most property management and maintenance services
- print and design

As with any long term arrangement, there have been some service issues during the course of the last 13 years which the Council and Capita have always tried to resolve by negotiation. The partnership arrangement has also been flexible and a number of change controls and contract variations have seen various services transfer both into and out of the partnership, the most significant of which have been:

- customer services, social services finance and administration, and management accounting transferring back to the Council in 2006
- strategic HR transferring to the Council in 2007
- remaining environment and leisure services property management and maintenance transferring to Capita
- IT services transferring back to the Council in 2008
- HR, payroll and commissioning of occupational health services transferring to the Council in 2012

Other innovative service changes included the creation of the Highways Asset Management Integrated Service (HAMIS) and the integrated revenues, benefits and customer services provision.

4. KEY ISSUES

The Council's original OJEU (Official Journal of the European Union) procurement notice and subsequent contract award do not provide for any extension or variation of the original contract duration, i.e. 15 years. Therefore, under the terms of the contract, the Council has no other option and must formally give notice to Capita of the termination of the contract no less than 12 months from the expiry date, i.e. no later than 30 June 2015.

The Council is currently undertaking a thorough review and appraisal of future service delivery options for those services still provided through the Capita partnership:

- revenues and benefits
- debtors and creditors
- architectural and technical services
- property
- highways and transport
- print and design

Options may include undertaking a new procurement process for one or more services, insourcing

service delivery to the Council, exploring shared service options with other local authorities or ending the delivery of some discretionary services. All of these options will require evaluation and impact assessment and there is no easy option given that many of these services have been outsourced since 2001 and any transition will be a potentially lengthy and complex process.

Therefore, it is proposed that the Council should now formally serve notice of the end of the contract to enable the Council and Capita to work together over the next 18 months to ensure positive transition of services whether that is to the existing or a new provider following a procurement process, insourced to the Council or, indeed, service cessation given the Council's continuing budget pressures.

The Executive Member for Resources has already approved the appointment of specialist advisors to support the options appraisal. Further reports will be provided to Members on future service options.

5. POLICY IMPLICATIONS

The Council must review all services to ensure delivery of a balanced budget and that all services contribute to achieving the Council's corporate priorities set out in the Corporate Plan.

6. FINANCIAL IMPLICATIONS

The core contract with Capita is currently around £6.4M per annum. In addition non-core services are also provided under exclusivity arrangements. The Council has significant budget reduction targets to meet over the next 3 years and savings in some areas are more difficult to achieve given the nature of the existing contract. Significant savings are expected in these service areas once the current contractual arrangements end in mid-2016.

Funding for undertaking the review and transition is available in an earmarked reserve established for this purpose.

7. LEGAL IMPLICATIONS

The Council is obliged to give a minimum of 12 months' notice of termination under the contractual arrangements with Capita.

Capita is obliged to cooperate and work positively with the Council and any potential future service provider to ensure ongoing service delivery during any review and transition period. There are also other obligations on the parties during the transition period.

The Council is also obliged to comply with the 'best value' duty under the Local Government Act 1999, which requires the Council to consider overall value when reviewing service provision.

8. RESOURCE IMPLICATIONS

The Council has procured advisors to support the options appraisal and review, an internal project team will be established and lead Directors and client managers will also support the review and transition.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 In determining this matter the Executive Board members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

The Council has consulted with Capita on this proposal who are also aware of the contractual obligations.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	0.01
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CONTACT OFFICER:	Denise Park, Deputy Chief Executive / Executive Director Resources
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DATE:	30 December 2014
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BACKGROUND PAPER:	
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