



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICERS:	Deputy Chief Executive / Executive Director Resources
DATE:	11 June 2015

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

SUBJECT: Strategic Partnership Review Update - Future Service Delivery

1. EXECUTIVE SUMMARY

The current 15 year strategic public private partnership contract between the Council and Capita ends on 30 June 2016. A report was agreed at Executive Board in January 2015 updating on the Council's contractual position as well as transitional obligations in advance of contract expiry.

The Council has had to review its options for the services currently provided by Capita and identify Target Operating Models (TOM) for future service delivery post expiry of the current contract. All TOMs identified contribute to delivering the Council's corporate objectives and priorities as set out in the Corporate Plan.

All TOMs have been developed and considered alongside previously identified budget pressures the Council is facing and identify potential savings which would contribute to the Council's overall savings requirements as set out in the Medium Term Financial Strategy (MTFS).

2. RECOMMENDATIONS

That the Executive Board:

- i) Notes 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 Council has no option to extend or vary the current contract and therefore, informal notice was issued to Capita in January 2015 and, in accordance with the terms of the contract, formal notice of expiry will be issued on or before 30th June 2015.
- iii) Notes that the Council has established appropriate governance to deliver the objectives of the review programme through transition and exit of the existing partnership.
- iv) Notes that the purpose of the options appraisal undertaken for future service delivery proposals is to ensure that any future TOMs are fit to deliver the Council's strategic ambition whilst contributing positively to the financial pressures the Council faces.
- v) Approves the recommended proposal for each service area as outlined in the report.
- vi) Delegates authority to the Deputy Chief Executive / Executive Director Resources, in consultation with the relevant Executive Member(s), to explore the TOMs further to determine the most appropriate detailed delivery model, procurement strategy, contract award and implementation programme for each of those services which are recommended for continued outsourcing, taking

account of the recommended model for each individual service area and the collective approach for the basket of services.

vii) Delegates authority to the Deputy Chief Executive / Executive Director Resources, in consultation with the relevant Executive Member(s), to explore the possible early transition of those services identified to be brought back in house for delivery by the Council, subject to the legal, commercial and financial benefits and constraints of doing so, and where this is in the best interests of the Council, the staff involved and the recipients of the service.

viii) Delegates authority to the Deputy Chief Executive/ Executive Director Resources, in consultation with the relevant Executive Member(s), to bring all services back for in house delivery, should appropriate outsourced delivery models not be able to be implemented effectively within the exit and transition period.

ix) Delegates authority to the Deputy Chief Executive / Executive Director Resources, in consultation with the Executive Member Resources, to determine the budget and agree the resource requirements to deliver the review, procurement, exit and transition programme within the limits of the funding available for this purpose and set aside in earmarked reserves, including the appointment of staff and external advisors.

x) Notes that further reports will be provided to the Executive Board to update on progress at key milestones in the programme.

3. BACKGROUND

In January 2015 Executive Board received a report outlining the history of the partnership and the successful achievement of its original economic regeneration objectives.

The Council's original OJEU (Official Journal of the European Union) procurement notice and subsequent contract award did 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. Informal notice was given to Capita following the Executive Board in January 2015.

In order to ensure a streamlined transition of services from Capita to the new recommended TOMs, the Council has been mobilising to effectively resource the programme.

The Council has established an internal review Programme Board, chaired by the Deputy Chief Executive as programme sponsor, with membership from other relevant chief officers. The role of the board is to drive the programme and provide strategic direction for the service leads and future service delivery models. The Programme Board oversees the Project Steering Group, which is made up of service leads for each service area as well as representatives from the Council's support services departments. The role of the Project Steering Group is to deliver the objectives of the review programme, ultimately ensuring that the future service delivery models identified and recommendations made meet the Council's corporate priorities, strategic vision and budget pressures. The service leads will be responsible for leading in their relevant area (whether outsourced or returned back in house) ensuring no detrimental effect to service delivery during the exit period and a safe transition of services in July 2016. Best Practice Group were also appointed previously and will continue in their role as independent advisors to support the review programme.

The Council has also established a Joint Programme Board with Capita, chaired by the Deputy Chief Executive and attended by the Executive Director Place, Capita Partnership Director and commercial lead supported by the respective programme managers for each partner. The establishment of the joint board demonstrates Capita's positive commitment to work with the Council during the transition and exit period.

Since January the Council has been undertaking a thorough review and appraisal of future service delivery options for those services still provided through the Capita partnership:

- revenues and benefits
- AP/AR (debtors and creditors)
- property, architectural and technical services
- parking services
- highways and transport
- print and design

Pursuant to clause 65.1 of the Services Agreement no later than 12 months prior to the expiry date the Council shall notify Capita in writing whether it wishes:

"65.1.1 to re-tender the provision of the services; and or
65.1.2 the Service Provider to transfer any of its rights, title and interest in and to the Assets to the Council in accordance with Schedule 10 (Exit arrangements)"

Therefore, as well as serving the formal notice, the Council must advise Capita of its future intentions, thus the need to urgently review and appraise options to confirm to Capita whether services will continue to be outsourced through a new procurement exercise or be brought back in house.

In support of its Corporate Plan priorities the Council has embarked on an ambitious growth agenda which is supported by the Local Plan and Plan for Prosperity. In order to deliver this ambitious programme of economic, housing and town centre growth the Council needs to be forward thinking and establish arrangements that ensure the necessary expertise and influence.

The Plan for Prosperity supports a series of key objectives which are identified within the Blackburn with Darwen Core Strategy. Central to these objectives is the provision of employment sites, an effective transport system, housing growth and successful school provision. In order to work towards these strategic objectives, the necessary physical, social and environmental infrastructure must be identified and delivered. Detailed infrastructure needs are set out in the Council's Infrastructure Delivery Plan. Prosperity in the Borough requires investment in strategic infrastructure and improvements to connectivity, all of which necessitate significant resource requirements and a degree of specialist, technical and professional expertise.

The requirement for this expertise is set against the backdrop of potential devolution and more local government joint working, with Local Authorities encouraged to support growth by working closely with partners possibly through models such as Combined Authorities; pooling technical expertise and creating shared procurement opportunities. Recent growth and devolution deals with Greater Manchester may provide opportunities for the Council to explore and assess potential viable options for future shared service delivery.

As part of the review, service leads have completed an Options Business Case for each service area, identifying the various options and appraising each with a resultant recommended option based on factors including service standards, financial benefit/savings, future flexibility and contributing to the Council's strategic objectives and vision.

4. KEY ISSUES

The recommended options being presented for approval are:

Accounts Payable/Accounts Receivable (debtors and creditors), Revenues and Benefits (including collections service) and Parking services to be brought back in house for delivery by the Council.

Design and Print to implement an internally managed multiple supplier service using a framework agreement or dynamic purchasing system.

Highways, Transport, Property and Construction (including architectural and technical services) to establish strengthened strategic client functions with contract management and commissioning capacity and capability in house with outsource for the other elements of service delivery in procurement packages to be determined.

The detail behind the above is included in the associated Part 2 report on this agenda.

5. POLICY IMPLICATIONS

The Council has reviewed all services currently delivered through the partnership to ensure that the options proposed for each service contribute to achieving the Council's corporate priorities as set out in the Corporate Plan and the budget pressures and savings targets included in the Medium Term Financial Strategy.

6. FINANCIAL IMPLICATIONS

The core contract with Capita is currently around £6.5M 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 the options appraised and recommended contribute to the Council's overall targets. Savings related to services provided through the Capita partnership were included within the 3 year savings plans agreed by Council in September 2014 and included in the MTFs agreed at Finance Council in March 2015.

Funding for undertaking the review and transition is available in an earmarked reserve established for this purpose which will be brought into the budget and managed by the Deputy Chief Executive / Executive Director Resources.

7. LEGAL IMPLICATIONS

The Council is complying with the provisions of the " Services Agreement - A Strategic Partnership". Under the terms of the Agreement the Council is required to provide Capita with details of its intentions for the services 12 months prior to the exit/contract expiry date.

Following the issue of the formal notice the Council will follow the process outlined in Schedule 10 Exit Arrangements. The Council's legal team is currently working with Capita to agree and draft a joint exit strategy in advance of the 12 month notice period.

During the transition and exit period the council will determine the application of TUPE for the staff concerned and where TUPE is deemed to apply the Council will ensure compliance with the Transfer of Undertakings (Protection of Employment) Regulations 2014. This will also require the Council taking external advice at the appropriate stage on the pensions liabilities associated with the exit.

Consideration of Target Operating Models and determination of future service delivery route will require the Council to comply with the 'best value' duty under Local Government Act 1999. The duty requires the Council to consider overall value when reviewing service provision. Any TOM which recommends the option to outsource services will be procured in accordance with the Council's Contract and Procurement Procedure Rules and the Public Contracts Regulations 2015.

Any equality implications on services provisions arising from the transition/exit arrangements will be considered through an EIA, once the service delivery model and procurement route has been agreed and confirmed.

8. RESOURCE IMPLICATIONS

The Council has established a Programme Board and Project Steering Group to deliver the review programme. Service leads have been identified for each service area as well as for support services from resources. The Council procured advisors Best Practice Group to support the options appraisal and support the commercial negotiations with Capita.

The Programme Manager is identifying long term resource requirements to deliver the programme. The delivery of the recommended TOMs will be a very resource intensive process. Service leads have been asked to identify internal support as well as more specialist external adviser support needed for their service area. This resource planning exercise will ensure a fully mobilised project steering group is established in advance of the anniversary of expiry and commencement of procurement process

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 the transition and exit process.

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:	0.05
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CONTACT OFFICER:	Denise Park, Deputy Chief Executive / Executive Director Resources
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DATE:	03/06/2015
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BACKGROUND PAPER:	None
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