



# EXECUTIVE BOARD DECISION

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| <b>REPORT OF:</b>     | Executive Member for Regeneration<br>Executive Member for Resources |
| <b>LEAD OFFICERS:</b> | Deputy Chief Executive  |
| <b>DATE:</b>          | 11 October 2018   |

|                              |   |                             |
|------------------------------|---|-----------------------------|
| <b>PORTFOLIO/S AFFECTED:</b> | Regeneration                            | Resources                   |
| <b>WARD/S AFFECTED:</b>      | All                                     |                             |
| <b>KEY DECISION:</b>         | YES <input checked="" type="checkbox"/> | NO <input type="checkbox"/> |

**SUBJECT: Capita Partnership Reset**

## 1. EXECUTIVE SUMMARY

This report updates on discussions between the Council and Capita to reset and simplify the current place-based partnership which commenced in 2016, with core highways and property services returning in-house to be delivered by the Council. This would leave a residual contract for call-off services in place with Capita for the remainder of the initial five year term.

## 2. RECOMMENDATIONS

That the Executive Board:

### 2.1 Notes that:

- i) the Council had a 15 year strategic partnership with Capita from 2001 to 2016, the scope of which changed by agreement a number of times over the years to ensure it remained relevant and was delivering against the Council's objectives
- ii) the Council re-procured a smaller more flexible place-based partnership which commenced in July 2016 focussed on supporting growth and delivering some core highways and property services
- iii) some aspects of the current Partnership are not operating as originally envisaged, particularly in respect of additional services, and that there is a significant contract management overhead for both parties in respect of the relatively small contract for core service delivery of property and highways.
- iv) Capita have worked with the Council in recent months to review the current arrangements and agree in principle a further reset and simplification of the Partnership

2.2 Approves the reset of the partnership outlined in this report and the associated Part 2 report to reflect the Council's current requirements for flexible support to the growth programme and other infrastructure investment where necessary, whilst bringing core service delivery for property and highways back in-house to be directly delivered by the Council

2.3 Delegates authority to the Deputy Chief Executive in consultation with the Executive Members for Regeneration and Resources to:

- i) finalise the contractual and/or legal agreements required to enable the changes to the contract
- ii) ensure alternative arrangements are made for ongoing service delivery should the agreed reset

of the Capita Partnership not proceed as planned or where key conditions and deliverables are not met by Capita.

### **3. BACKGROUND**

The Council first entered into a ground-breaking 15-year multi-disciplinary private sector partnership with Capita in 2001 to provide a wide range of services including technical services (highways, transport, property, architecture, design, project management etc), Revenues & Benefits, HR, IT, customer services and transactional financial services. 500 staff transferred from the Council to Capita, a FTSE 100 company, and a new business centre was built on Barbara Castle Way together with a commitment from Capita to invest and create additional jobs in the borough. Capita are now one of the largest private sector employers in the borough with additional premises at India Mill in Darwen and a lease of the first floor of the offices at One Cathedral Square.

Some aspects of that original Partnership were delivered more successfully than others and, over time, by agreement between the Council and Capita, and to reflect changing circumstances and requirements, a number of services transferred between the parties, with some additional services transferring to Capita and a number of services transferring back into the Council.

In 2015, as we approached the final year of the original Partnership, the Council decided to bring a number of the remaining services back in-house and to re-procure a new flexible partner to deliver a relatively small core property and highways service, with arrangements to call-off specialist technical services to support infrastructure, growth and development and with options to consider business cases for additional services over time. This new place-based Partnership commenced in July 2016 for an initial five year period with the option to extend for a further three and then a further two years.

Two years in to this new partnership, it became clear to both the Council and Capita that the additional services in particular were not progressing as envisaged and, whilst the flexible call-off in respect of infrastructure, growth and development is working well, there is a significant contract and management overhead in respect of the small core service which is not effective or value for money for either party.

Therefore the Council and Capita agreed to explore a reset and simplification of the Partnership which would consider retention of the call-off provisions with a reversion of core services for highways and property back to the Council.

### **4. KEY ISSUES & RISKS**

The Council has been faced with ongoing budget challenges and funding cuts since 2010 and these are forecast to continue through to 2020 and beyond. Through the competitive procurement process for the current partnership, it was envisaged that there would be growth in business cases for additional services which would support both Capita and the Council in managing and delivering the now small core contract as well as further call-off work in support of the growth programme and infrastructure developments.

Whilst Capita have been working on growth and infrastructure schemes to support the Council's priorities, the business case approach for additional services has not generated the opportunities envisaged and no business cases have been developed by Capita and approved by the Council to take forward to implementation. The only additional service was the agreed shared management arrangements which were in place from February 2017 and which ended completely in July 2018.

As a result the Council have had a contract and management overhead that is not proportionate to the small core service provision and there has been considerable officer time spent in contract management activities. Likewise it is understood that the Council's performance and reporting requirements under the contract have resulted in a significant management overhead for Capita and

they have had some difficulties in fulfilling all their obligations under the core contract.

In addition, earlier this year, following the appointment of a new Capita Chief Executive and the publication of the company's 2017 end of year results, Capita set out a new strategic direction for the organisation. Capita's focus in future will be delivering technology-enabled services, at scale, where the company believes it can add the most value to service delivery. The environment in which local government is operating has also changed since this contract was let. Whilst both parties envisaged the need to adapt to changing circumstances, the rapidly changing external environment has accentuated the need for the council to increase the level of direct control it exercises.

Therefore it was agreed that a simplification and reset of the contract would be explored and the commercial implications are outlined in the Part 2 report.

In summary, the remaining core service delivery in respect of highways and property services will transfer back to the Council along with those staff entitled to transfer under TUPE legislation, with the management of Highways services being transferred to the Director of Environment & Operations as part of his new responsibilities and Property services consolidated under the management of the new Director of Growth & Development.

The Council understands that Capita will retain their presence in the borough (in both Blackburn and Darwen) and the Council will retain the ability to directly commission call-off work to support growth and infrastructure developments under the amended contract.

#### **5. POLICY IMPLICATIONS**

There are no policy implications arising from this report which supports the Council's priority in respect of managing its scarce resources and budget, 'Making your money go further'.

#### **6. FINANCIAL IMPLICATIONS**

The cost of running the in-house services for highways and property will be covered by the current contract costs and it is expected that the Council will achieve budget savings as a result of the transfer back and will have reduced contract management overheads as outlined in the Part 2 report and to be confirmed through the budget setting process for 2019/20.

#### **7. LEGAL IMPLICATIONS**

The Council and Capita can amend the partnership by agreement and in accordance with the provisions of the contract.

#### **8. RESOURCE IMPLICATIONS**

The Council has engaged a small amount of consultancy support in respect of the reset negotiations and support is also required from highways, transport and property client managers, HR, Legal, Finance and Procurement teams.

It is expected that a number of staff will transfer back to the Council during the current financial year as a result of this contract change.

#### **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**

Capita and client managers and the Council's Political Leadership have been consulted.

## **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.

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| <b>VERSION:</b> | <b>1</b> |
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| <b>CONTACT OFFICER:</b> | <b>Denise Park, Deputy Chief Executive</b> |
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| <b>DATE:</b> | 5 October 2018 |
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| <b>BACKGROUND PAPER:</b> |  |
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