

Overview, Scrutiny and Policy Development Committee - Capita Sub-group report



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Reason for the Study

In 2011 North Tyneside Council decided to outsource services relating to its business and technical services.

In November 2012 Capita Local Government, part of Capita plc were successful in the bid to manage the Council's technical services.

From the inception of the contract, there was a need for Overview, Scrutiny & Policy Development Committee to request updates and information relating to a number of services being delivered by Capita, this was due to a number of concerns raised by the public and Council Members to the performance of the services being delivered.

Scrutiny continued to seek information on services that continually raised concern through its regular work programme.

As the contract was in its 5th year, scrutiny decided it would review the partnership arrangement to see if the Authority and its residents were receiving the service specified at its inception and established the Sub Group to gain a clearer understanding of the partnership and its operation.

Continuing the policy to encourage cross party/committee involvement in scrutiny, an invitation was made to all Non-Executive Members of the Council to be part of the sub-group.

The following members volunteered to serve on the group and took some part of the review:

Councillor Sandra Graham
Councillor Jim Allan
Councillor Ken Barrie
Councillor Steve Cox
Councillor Muriel Green
Councillor John O'Shea
Councillor Frances Weetman

The Sub-group met on seven occasions.

Outsourcing Council Services

The Authority entered into a major outsourcing project that began in the summer of 2011 with a formal decision made by Cabinet in November 2011 to go to the market.

There were two distinct tenders offered (Business Services & Technical Services) for the management of the Authority's services and a competitive dialogue was undertaken at pace.

A decision was taken to manage the negotiations with interested parties with the responsibility for awarding the contract being left to a small in house officer team, led by an interim Chief Executive who had previous outsourcing experience.

There were seven interested parties for the technical services contract and the officer team conducted parallel conversations with each party where the financial and business benefit was compared before it decided its preferred choice.

Procurement concluded in the summer of 2012 and contracts were awarded in November 2012.

Technical Services

Capita Symonds (now Capita Property and Infrastructure) were successful in their bid for the Technical Services outsourcing tender.

The intention to the outsourcing was to deliver operational improvements, strategic opportunity and financial benefit (both income and savings).

The objectives used as part of the formal evaluation for the technical package were to:

- Invest in the services affected by the project
- Job protection for the existing workforce
- Growth opportunities for the services in a wider marketplace leading to the creation of additional jobs within the Borough
- Financial efficiencies of at least £2.7 million from the Technical Package within the first three years of the partnership and on-going efficiencies thereafter subject to future financial pressures
- Efficiencies in relation to the Council's use of office accommodation by the co-location of a partner provider within the Borough; and,
- Improved performance of the services.

Extent of the Technical partnership

At the point of transfer in November 2012 the following services moved to Capita:

- Engineering and Highways
- Strategic Property and Asset Management (including energy management and efficiency, advertising and cleaning)
- Planning
- Consumer Protection.

The transfer included 400 staff including 60 secondees to ensure the statutory duties for the Local Authority could be discharged appropriately.

It was originally planned that Winter Maintenance service would also be transferred, however, in 2014 there was agreement that the service would remain with the Authority.

Contract Variation

Through 2012/13 the Partnership got off to a difficult start, this was in part due to a number of senior client representatives leaving the Authority and taking up post for Capita, therefore making consistent client contract management difficult. This resulted in a number of technical and commercial issues.

This had a negative impact on some service performance, although some service delivery did remain stable.

Issues also arose with financial performance, where savings did not match to the degree expected at the outset of the partnership.

Furthermore there were issues on major project delivery such as the Spanish City Plaza and Four Lane Ends junction improvements.

In autumn 2013 Capita management arrangements changed and this new senior team worked with the relevant Cabinet Members to examine the partnership, to consider the Authority's options and to ensure the right outcome for the Borough.

It was accepted by both the Authority and Capita that changes to the contract were needed and subsequently in the autumn 2013 significant work took place to agree a deed of variation with Capita to achieve a workable solution.

Cabinet at its meeting on 11 July 2016 (CAB27/07/16), approved, in line with the original contract, to accept a proposal from Capita that would lead to a variation in the contract to adjust responsibilities, costs, fees and savings assumptions tested in negotiation with officers.

The Deed of Variation was agreed in early 2017 and completely overhauled the contract; securing the savings, strengthening the performance test, targeting it more effectively and aligning the partnership with the policy direction of the Mayor and the Cabinet.

The current contract

The variation was based on a proposal from Capita to resolve a number of issues for both sides comprising:

- **Business Cases;** a revised set of business cases which, clearly defined the nature of any savings and the importance of an impact on the Authority's General Fund
- **Savings Guarantee;** a payment to recover savings not made in years 2 and 3 of the contract with a revised, reduced annual savings guarantee that is profiled for the remainder of the contract
- **A transfer of some responsibilities back to the Authority;** commensurate with the reduced savings guarantee the transfer of responsibility for advertising, energy efficiency investment, caretaking and cleaning back to the Authority with appropriate transfers of finance and posts
- **A reduction in Capita costs by changing structures;** removing posts directly funded by North Tyneside Council in line with a request from Capita to lift the No Redundancy Guarantee for the purposes of the proposal
- **A reduction in the fee paid to Capita;** to reflect the reduced responsibilities, the reduced savings guarantee and the reduction in costs
- **A stiffer performance test aligned to the priorities of the Authority;** including the introduction of less in number but more realistic deliverable Key Performance Indicators (KPIs) for capital projects and the greater alignment of the Annual Service Plan and associated Investment programme to the priorities of the Mayor and Cabinet; and
- **Agreement on a revised set of operational protocols;** ensuring an agreed approach to handling pressure in managed budgets, an agreed approach to what would be counted as business case savings, how new business cases would be signed off and a revised payment mechanism to ensure payment was directly related to performance.

As part of the Deed of Variation, cleaning and care taking services, advertising and energy efficiency returned to the Authority. This represented a change to staffing within the partnership reducing to 291 staff including 43 secondees.

Recommendation 1: It is important that there is a need to have clear and greater understanding of the contract, with clear information accessible to all within the Authority and to residents.

Performance measurement

There is a mix of indicators that measure performance and these are separated between Key Performance Indicators (KPI's) that directly relate to payment and Performance Indicators (PI's) that do not.

At the point of transfer the partnership was measured by 20 KPIs and 42 PIs.

These performance indicators proved to be insufficiently challenging and were not aligned to the Authority's priorities. As part of Service Planning for 2016/17 the suite of performance indicators was overhauled which resulted in having more challenging and targeted suite of indicators that now manage issues, which are most important to the Authority and the Borough.

Performance management

Performance management was also problematic due to the different interpretation of KPI definitions and that the targets associated with the KPI's were not sufficiently challenging.

This led to situations where concerns were raised around performance, however the actual measures were shown as operating satisfactorily.

Property management for the Authority weakened and delayed delivery of major projects such as the Four Lane Ends junction improvements. Scrutiny was well aware of the concerns and during this period, it regularly questioned and requested updates to the progress and performance of major projects and office accommodation.

It was noted that from the difficult starting position with regards to property services, performance had improved particularly with compliance. However, we subsequently found later that the Authority's Independent Auditors Mazars found issues with valuations.

Postscript comment

Following the receipt of the External Audit Completion Report year ended 31 March 2018 to the Council meeting 26 July 2018. The Councils Property, Plant and Equipment valuations had not been reviewed and the auditor raised a level 1, 'high' priority recommendation. This raised great concern that the partner (Property Team (Capita)), was not undertaking its responsibility on behalf of the Authority and had significantly undervalued assets.

The sub-group understood that despite these limited mechanisms in place, the Authority still ensured that performance was challenged and noted that it served two formal contract warnings to Capita in relation to the service delivery KPI's and a formal dispute process in relation to the Four Lane Ends capital project.

Work was undertaken with the Capita Team to resolve the definition ambiguity with the service delivery KPI suite, this ensured the measurement of KPI's was now designed to drive service improvement and follow an agreed methodology.

The Four Lane Ends capital project KPI suite was aligned with industry best practice and based on Highways England methodology. It was with the express intention of ensuring that the measures aligned to the Authority's policy direction and the issues known to be important to residents.

It was noted that since the change to the Major Project KPIs in response to the work at Four Lane Ends, all of the major highways schemes had been delivered on time and to budget. It was also the view that the overall condition of the highway network in North Tyneside had improved since its responsibility had been transferred to Capita. There had also been significant external investment secured for the network and was being delivered.

The partnerships financial structure

The partnership is comprised of three broad financial strands, these being;

- **Core Fee;** this is the amount of money Capita is paid each year to deliver the services for which it is responsible.
- **Managed Budgets;** these are budgets that were passed to Capita and are managed by them on a day to day basis.

- **Project Fees;** these are specific fees and budgets paid to Capita for individual projects, for example highways and infrastructure works which are not part of the core services. In the first five years of the partnership, the Capita team have secured a significant value of works.

In terms of value for money the delivery of the required savings is the first and continuing test. In addition, Schedule 9 of the contract requires the Capita team to undertake a baseline exercise at years 5, 8 and 12 of the contract. This will support where Capita has examined the costs and performance of the partnership and demonstrates that it continues to provide value for money.

Recommendation 2: To ensure comprehensive oversight by members that scrutiny be involved with the baseline exercises at years 5, 8 & 12 years.

Governance

Consistent with the other Authority partnering arrangements, the partnership maintains an Operational Partnering Board comprised of senior officers of the Authority and Capita that meet on a monthly basis to manage day to day operations.

There is also a Strategic Partnering Board, chaired by the Chief Executive and attended by the Elected Mayor, the Deputy Mayor and the Cabinet Member for Housing, Environment and Transport.

Recommendation 3: That the outcome and plans of the Partnering Boards be formally reported to scrutiny committees to ensure comprehensive transparency into the partnership.

Outsourced technical services

Throughout its examination of the partnership the sub-group received information of services delivered by Capita.

The sub-group sought this in-depth information to ensure the agreed process to deliver services matched that received by residents, businesses and members of the public.

Planning Services

The Planning function is held within Regulatory Services, alongside the Building Control and Public Protection teams with the core services comprising:

- Development Management
- Planning Enforcement
- Planning Policy
- Local land and property gazetteer

The services are primarily delivered for the Authority acting in its capacity as the Local Planning Authority (LPA).

The team is managed by a Planning Manager who is seconded to the partnership and the delivery of core services is monitored by the Council's Regulatory Services Manager.

At the inception of the partnership there was a business as usual approach taken in continuing the delivery of services.

The main change as a result of the partnership was the delivery of planning services to clients/customers outside the Council and as set out in the original bid, the review of processes and resources within planning had enabled staff the time to be to undertake additional work.eg heritage specialists who are used by other Authorities.

Development Management

The Development Management team is responsible for the processing and assessment of planning applications ranging from small scale domestic extension to new housing estates, change of use or business parks.

Planning applications are categorised into three main types of application which are categorised as:

- major (10 houses or more than 1000 sqm floor space or site of 1 hectare),
- minor (up to 9 houses or less than 1000 sqm floor space or 1 hectare) and
- other (including domestic extensions, adverts, business uses and Listed Building consents).

A nationally set fee is payable for most applications and the service generates an annual income.

Over 90% of planning applications are determined by officers in accordance with the Council's scheme of delegation. In addition to the Planning Manager, two other team members are seconded to the partnership in order to exercise this delegated authority.

Major planning applications are determined by the Planning Committee which meets on a three weekly cycle throughout the year and staff from planning, engineering and public protection, support the Planning Committee.

Performance is measured nationally, via the Ministry of Housing, Communities & Local Government (MHCLG), which publishes quarterly performance data, and locally via the Partnership KPI regime based on the speed of determining planning applications.

In relation to performance, the Authority is in the top quartile nationally for speed of decision making across all three application types.

In addition to planning applications, the team deals with requests for pre-application advice, requests for prior approval for certain small scale extensions and alterations, the discharge of conditions attached to planning permission and any appeals relating to decisions made on applications by the Local Planning Authority (LPA).

Pre-application proposals are processed in accordance with a published protocol. The service is offered, subject to agreed fees, in accordance with best practice to encourage developers to seek pre application advice and undertake effective engagement with the LPA and the community.

Planning Enforcement

The Planning Enforcement Team provide a reactive service responding to alleged breaches of planning control that include works being carried out without having the required permission in place, not building in accordance with approved plans, failure to comply with planning conditions attached to a permission or failing to maintain land or property in a good condition where there is as a result a harmful impact on local amenities.

The team handles on average over 435 cases each year. Many cases are closed quickly as no breach is found but others can take many months, or longer, to reach closure which may ultimately be through formal action involving the court.

Most commonly served are Breaches of Condition Notices (BCN) where there is a failure to comply with conditions attached to planning permission.

Members raised their concerns with the timescales given to developers to rectify issues and there was a perception that the time allows the condition to be regularly ignored by the developer as upon completion of any works the issue is no longer pursued or action taken.

There was a suggestion that the timing and follow up of action needed to be tighter. Upon challenge on this issue the sub group were informed that most developers do adhere to the conditions on the application.

It was believed that by having a more Planning Enforcement Officers instances of retrospective planning applications would be reduced or potentially avoided.

The sub group were informed that there is a KPI relating to closed complaints with most being closed in a reasonable timeframe although there could be issues that require the need to go through the formal process. It was emphasised that any action needs to be fully evidenced as any costs would go against the Authority if not successful.

It was felt that there should be increased enforcement activity and that the opportunity to established generic enforcement role/team to undertake all enforcement would benefit the Authority and public.

Recommendation 4: That Cabinet gives consideration to the increasing of enforcement in the Authority through an increased enforcement regime to give confidence to the public that rigorous enforcement is possible.

Planning Policy

Since the start of the partnership, the team focussed on the delivery of a new Local Plan for the Borough, with the team being expanded during 2013-16 to help deliver the Plan, this included publishing three iterations of the Local Plan.

The team led the examination in public when the Inspector examined the plan by way of a series of public hearings and found the plan sound and capable of adoption.

North Tyneside is the first Local Planning Authority in the region to secure a full Local Plan through the examination process and ready for adoption and was an illustration of good partnership working.

The team also provides heritage and design advice, advising on specific proposals and in relation to policy development, such as the Tynemouth Village Conservation Area Management Strategy.

In addition the team continues to support the Council in preparing development master plans to guide the development of strategic development sites at Murton and Killingworth Moor.

The sub-group understood that the North Tyneside Local Plan could be affected by possible changes to the prospective Northumberland Local Plan in relation to the number of homes to be built.

Recommendation 5: That Cabinet ensures that Council are informed of any changes to the North Tyneside Local Plan, as a consequence of any changes to the implementation of the Northumberland Local Plan.

Recommendation 6: That Cabinet considers options to how the Authority's partnership with Capita and its knowledge and experience in gaining an acceptable Local Plan could provide a further income stream by offering its expertise to other Local Authorities.

It also believed the increased promotion of the services of Building Control on the Authority website would benefit the Council.

Local Land & Property Gazetteer

Within the planning team there is a Planning Information Officer who is responsible for the maintenance of the Council's land and property database – known as the Local Land and Property Gazetteer (LLPG). The LLPG is an address database which is used throughout the Council where address based services are provided, such as Council Tax and Electoral Registration.

The information team also maintain a range of databases which provide key information in evidencing housing and employment land availability and take up. A number of surveys are undertaken over each year to gather data which is essential for monitoring housing delivery to evidence the Council's position against national measured targets such as the 5 year housing land supply.

Planning Service Performance

Performance of the Planning Service is good and has seen improvement year on year against its associated KPI's and PI's, this resulted in North Tyneside being placed in the top quartile in the country (top 10 of 326).

Highways Services

The Highways Service lies within Engineering Services and provides the following core services:

- Development Control
- Streetworks
- Traffic
- Parking Initiatives
- Surface Water
- Coastal Defence
- Highway Structures

The services were primarily delivered for the Authority acting in its capacity as the Local Highway Authority (LHA).

The team is managed by a Highway Network Manager seconded to the partnership and the delivery of core services is monitored by the Council's Integrated Transport Manager.

The main change as a result of the partnership was the delivery of the streetworks permitting system that provides greater control over works occurring on the local highway network. The permitting system represents one of the partnership business cases and supports the cost saving the Authority strives to make.

Development Control

The role of the Development Control Team is to assess highway impact of planning applications ranging from small scale domestic extensions to new housing estates or business parks. The team is also responsible for overseeing the delivery of highways infrastructure at new developments earmarked for adoption.

The Authority now holds a network wide strategic traffic model that can quantify cumulative impacts and identify the extents of highway impacts from a proposed development and had been accessible since 2015 to support the Authority's Planning Committee in its determination of major planning applications.

The traffic models have been developed to support major scheme business case bids and as part of the Local Plan evidence base. The Authority now has a network wide strategic traffic model which can quantify cumulative impacts and identify the extents of highway

impacts from a proposed development. There are also several micro-simulation traffic models covering corridors across the borough which replicate individual vehicle behaviour and accurately assess the effectiveness of proposed highway mitigation schemes. There are 4 models which together provide an extensive coverage of the local highway network and the most congested junctions within the Borough.

It was anticipated following the adoption of the Local Plan that there would be increased applications for several major residential developments across the borough. The availability of traffic modelling tools ensure the Authority can be robust in its response to secure strategic highway infrastructure improvements and used at the Authority's Planning Committee to aid the determination of applications.

Streetworks

The Streetworks team is responsible for inspecting all highway (including footway) reinstatements made by a range of organisations known as "statutory undertakers" on the local highway network.

The team is also responsible for administering and operating a highway permitting system that requires all statutory undertakers and their sub-contractors to apply for permission to carry out work on the local highway network.

The streetworks inspection regime challenges utility companies to reinstate the highway to an acceptable standard such that the local authority does not incur additional maintenance liabilities/costs at a later date.

The ongoing inspection programme resulted in a reduction in reinstatement failures and improved the responsiveness of utility companies to correct defective highway works. This contributes to reducing longer term maintenance issues once the reinstatement warranty period lapses and the responsibility returns to the Authority.

The permitting system has been active for 2 years and provides the Authority much far greater control over what works concurrently occur on the local highway network.

The permitting system also allows further scrutiny of how utility companies and their contractors operate on the highway network. The Authority can now challenge the method of traffic management being proposed, the times of its operation, and the duration for which it will occur. However, utility issues will occur and these remain a challenging matter for authorities to effectively manage but it is the expectation that the streetworks approach would be to rigorously challenge utility companies to reinstate in fitting with the aesthetics of the surrounding the road and pavements.

Traffic Engineering and Parking

The traffic engineering team remains responsible for the delivery of small scale highway improvement schemes, road safety initiatives, the continued improvement and expansion of the Public Rights of Way network and parking schemes.

The team continues to design and deliver new highways infrastructure and following the substantial success in securing central government funding for several major highway improvements, beyond the normal scope of LTP budgets, focus has been upon delivering local schemes that complement this regional investment.

The Highways section are working towards an exhaustive forward programme of works that are prioritised in terms of user benefits and through the Network Management Plan, which then could be published to inform residents of how their local concerns compare across the borough.

Parking schemes are the most contentious highways issues across the borough with a variety of subjective issues to be addressed and resolved through an objective, impartial, and equitable policy.

Following the parking policy adoption, the revised policy provides the necessary process to evaluate requests more effectively, efficiently, and fairly.

The parking restrictions policy had been requested by the Overview, Scrutiny & Policy Development Committee to come before its meetings following frustrations raised by both residents and Members of the current system. As a result of raised issues a Parking Permit Sub-group was established and its findings and recommendations were considered by Cabinet (July 2016). The policy was amended and agreed by Cabinet and has recently been introduced to areas that have parking permits.

The revised parking policy sought to address concerns and should result in a process where provision of new restrictions is very much a final resort rather than a first step.

Across the borough there are numerous examples of the implementation of new parking restrictions leading to additional request for further schemes in neighbouring or adjacent areas. This approach is neither sustainable in terms of investment nor effective in resolving the underlying cause of the issue.

The Highways section is responsible for updating the various highway policies that sit within the newly adopted Transport Strategy.

These policies provide clarification of how the authority works to manage the network in terms of road safety, signage, sustainable travel, cycling, parking etc.

Following the adoption of the Transport Strategy all policies that collectively form and support this strategy would be reviewed, refreshed for adoption, with The Parking Strategy, the Highways Asset Management Plan and the Network Management Plan being the most strategically important.

It was noted that Cabinet at its meeting on the 11 September 2017 approved the North Tyneside Parking Strategy having given due regard to the work undertaken by the Parking Permits Sub-group views and recommendations.

Highways Maintenance and Construction

Highways Maintenance lies within Engineering Services and provides the following core services:

- Asset Management
- Highways Inspections
- Reactive and Planned Maintenance
- Gully Cleansing
- Emergency Response

These services are primarily delivered for the Authority acting in its capacity as the Local Highway Authority (LHA). The team is managed by a Head of Construction and Technical Director for Asset Management. The delivery of core services is monitored by the Council's Highways and Infrastructure Manager.

The sub group received information to the Authority's highway asset management and how inspections are undertaken. This included inspections, reactive maintenance, gulley cleansing and emergency response.

In relation with Major Projects the delivery team has grown since the start of the partnership and now includes dedicated Operational, Health and Safety, Commercial, Communications and Technical Support departments, working on major highway improvements, structural repairs and flood alleviation schemes.

Delivering this information to members and the public is challenging and it is hoped that soon residents would be able through the use of a transparent and user friendly web based portal where inspections would take place, with an associated calendar to inform when works would be scheduled to be carried out i.e. a schedule of gully cleansing.

Understanding the financial positions of our outsourced companies

During the period that the Sub-group was carrying out its review news broke of the liquidation of the construction giant Carillion on the 15 January 2018 and the impact this had on the delivery of the many government (including Local Government) contracts for which it had responsibility.

This raised concerns to what effect this would have to North Tyneside's partnerships if something similar occurred. Then on 31 January Capita announced a profit warning, which saw a loss of 55% of its value in two days.

Due to these events the Elected Mayor made a statement at a Council meeting 1 February 2018, where the Mayor stated the Authority had received assurances from Capita that there would be no disruption to service delivery to the public or the Council and officers would continue to monitor the situation. The Mayor stated that she would advise all Members if there was any change to the current position.

On 6 February the House of Commons Library published an impartial analysis 'Capita: where did the capital go?' that provided an explanation to the event (see background papers for link).

Events of this nature would have a damaging effect on the Authority to provide its services and highlights the need for the Authority to have greater understanding of the risks and the need to plan for such circumstances.

Recommendation 7: That Cabinet ensure that the Strategic Partnership Board has oversight of any profit warnings and has appropriate risk and business continuity plans in place to ensure services will continue to be delivered if such circumstances that any if its partnership arrangements fall into possible liquidation.

Findings

At the very outset of the review it was apparent that the Authority outsourced its services in 2011/12 in haste and it was noted that at the time the Overview & Scrutiny Committee and Council Members frequently raised concern at the speed of the process taken¹.

This highlighted a number of concerns and perceived failings, these being;

- There was a broad scope of services (business and technical packages) that were to be outsourced
- The running of two major outsourcing projects concurrently
- The use of only a small officer project team led by an interim and part-time Chief Executive.
- Authorising the responsibility for the writing of the contracts to this small officer project team led by an interim and part-time Chief Executive.
- Having insufficient contingency planning in place to deal with the risks when the small officer project team led by an interim and part-time Chief Executive left the employ of the Authority shortly after the contracts were approved.

The sub group noted that a similar outsourcing project undertaken by other local authorities' had a timeframe from authorisation to commence a procurement process to accept the approved bidder of up to 31 months², while another took 18 months³.

The timeframe to carry out the same process undertaken by North Tyneside took 9 months⁴ for two outsourced contracts.

It was perceived that the contract had been reasonably robust, however issues arose with the wording and clarity of some business cases due to some ambiguous understanding between the Local Authority and Capita.

There was a change to the management team soon after the contract was awarded in November 2012, which created confusion. This was due to key staff not being retained to take responsibility and therefore not having the assurance of the knowledge transfer was in place when the contract became operational.

It is understood that when letting a contract, best practice should always be; to build a team that has a full understanding to what is expected to be delivered, who would then manage the agreed arrangements when it becomes operational.

¹ Council Urgent Motion Minute C50/07/12

² Barnet Partnership with Capita

³ Trafford Partnership with Amey

⁴ Extraordinary Cabinet Minute 2 August 2012

It was believed that the pace as which the outsourcing contract was undertaken and having an over reliance on only using a small in-house officer team, with no outside specialist contract expert advice and having a part time Interim Chief Executive to lead a project that would be in place for 15 years exhibited some significant risks for a successful transition of services for the Authority.

It also believed that when undertaking two similar sized outsourcing tenders at the same time only increased these risks further.

It had been demonstrated that through issues that arose delivering the expected level of service following the inception of the partnership was difficult, the contract was unclear to its operation and delivery. This was against the initial intention to outsource services to deliver operational improvements with associated financial benefit (both income and savings).

It was clearly evident that there was a need to seek a Deed of Variation that was acceptable to both the Authority and Capita.

It was demonstrated that following the Deed of Variation service delivery had settled and improved in areas and that there was a definite direction to how services were to be delivered. It also understood there was a good relationship between the Authority and Capita to deliver services in North Tyneside.

The consequence of the pace and haste of awarding the contract and the departures of key staff meant the Authority, including elected members were very much in the dark about the contract and how it operated.

It was evident that there was a lack of clarity on the costs of contracts and benchmarking data to see if Authority projects were priced competitively and this was demonstrated by the initial costs given for the Whitley Bay central lower promenade. The sub group were reassured that there was a greater understanding now and alternative arrangements were made to ensure a better outcome for residents and the Authority.

There is an understanding that the push to reduce costs, Capita utilises its staff to carry out work for other authorities e.g. Staff working on projects for Blackburn and Darwen.

It was a concern to what effect this could have to the detriment to North Tyneside residents, however, looking to the future the sub group would hope that the Authority would see increased benefit through working activities of this nature, both financially and increased local employment opportunities.

With regards to the financial arrangement and the requirement in Schedule 9 of the contract that requires the Capita team undertake a baseline exercise at years 5, 8 and 12 of the contract. The 5 years exercise is timely for a review due to an uncertain future. Capita has sold shares and made significant reductions in staffing levels across Capita plc and as whole. There is a perceived high risk to the Authority therefore there is a need to have the necessary contingency planning in place to ensure it continues to get the best value for residents.

Recommendation 8: To demonstrate that transparent scrutiny, following the Strategic Partnering Board annual review, the information to be shared with Scrutiny & Policy Development Committee at the next scheduled meeting to enable all members a better understand the operational value of the partnership.

The Authority needs to have the confidence that all services with the associated responsibility that have been outsourced to its partners are carried out comprehensively. It has great concerns that External auditor found that this was not the case with the Councils Property, Plant and Equipment valuations. The damage and financial impact to the Authority is still to be realised but this highlights the need to ensure there is comprehensive scrutiny into all the Authority's partners, their processes and practices.

The contract will run for a 15 year term on condition that it continues to provide value for money, meet the Collective Partnership Targets, that there have been no significant key performance indicator failures or material defaults under the terms of the contract. It is also understood that if a significant KPI failure would arise where three or more deductions occurred in the two years prior to the decision to extend the contract.

Schedule 9 of the contract requires the Capita team to undertake a base lining exercise at years 5, 8 and 12 of the contract. That means Capita must demonstrate that they have examined the costs and performance of the partnership and demonstrated that it remains value for money, with the 8 year baseline exercise taking place in 2020/21.

To provide assurance and ensure that the outsourced arrangement continues to provide the expected performance in service delivery.

Recommendation 9: That Overview, Scrutiny & Policy Development Committee is presented the base line results at year 5, 8 and year 12 of the contract to enable consideration that value for money, the meeting of Partnership Targets and that there are no significant key performance indicator failures or material defaults under the terms of the contract.

Acknowledgements

Paul Hanson – Deputy Chief Executive

Phil Scott – Head of Environment, Housing & Leisure

Dave Foster - Senior Manager (Housing Property and Highways)

Colin MacDonald, Senior Client Manager

Richard Carmichael, Partnership Director (Capita)

Jackie Palmer, Planning Manager

Nick Bryan, Highway Network Manager

Anthony Hewitt - Head of Construction (Capita)

Councillor J Harrison – Cabinet Member responsible for Housing and Transport

Background Papers

Briefings/presentations of meetings undertaken

<https://commonslibrary.parliament.uk/economy-business/business/capita-where-did-the-capital-go/>

<https://barnet.moderngov.co.uk/documents/g7462/Public%20reports%20pack%2024th-Jun-2013%2018.30%20Cabinet.pdf?T=10>

<https://www.trafford.gov.uk/residents/news/articles/2015/20150707-one-trafford-partnership-launches.aspx>

Reports received at Overview, Scrutiny & Policy Development meetings

[Council Partnership - Capita](#) – 6 July 2015

[Wallsend Customer First Centre](#) – 4 February 2014

[Wallsend Customer First Centre](#) – 31 March 2014

[Briefing Accommodation Review](#) – 7 September 2015

[Office Accommodation Presentation](#) – 7 September 2015

[Parking Permit Sub-group Report](#) – 5 July 2016

[Office Accommodation Review – update](#) – 5 September 2016

[Four Lane Ends and A188 junction improvements](#) – 5 September 2016

[Office Accommodation Review - Wallsend Customer First Centre Update](#) - 7 November 2016

[Office Accommodation Review Update](#) – 6 February 2017

[Office Accommodation Review Update](#) – 3 April 2017

[Office Accommodation Review – Update Addendum](#) – 3 April 2017

[Process for implementation of new parking waiting restrictions](#) – 3 April 2017

[NTC Parking Restrictions request process map](#) – 3 April 2017

[Office Accommodation Review Update](#) – 25 May 2017

Cabinet Reports

[North Tyneside Transport Strategy](#) – 8 May 2017

[North Tyneside Parking Strategy report](#) – 11 September 2017

[North Tyneside Highway Asset Management Plan 2017 to 2032](#) – 11 September 2017

Council Report

[Risks of Outsourcing](#) – 27 September 2012

Recommendations

R1: It is important that there is a need to have clear and greater understanding of the contract, with clear information accessible to all within the Authority and to residents.

R2: To ensure comprehensive oversight by members that scrutiny be involved with the baseline exercises at years 5, 8 & 12 years.

R3: That the outcome and plans of the Partnering Boards be formally reported to scrutiny committees to ensure comprehensive transparency into the partnership.

R4: That Cabinet gives consideration to the increasing of enforcement throughout the Authority through an increased enforcement regime.

R5: That Cabinet ensures that Council are informed of any changes to the North Tyneside Local Plan, as a consequence of any changes to the implementation of the Northumberland Local Plan.

R6: That Cabinet considers options to how the Authority's partnership with Capita and its knowledge and experience in gaining an acceptable Local Plan could provide a further income stream by offering its expertise to other Local Authorities.

R7: That Cabinet ensure that the Strategic Partnership Board has oversight of any profit warnings and has appropriate risk and business continuity plans in place to ensure services will continue to be delivered if such circumstances that any if its partnership arrangements fall into possible liquidation.

R8: To demonstrate that transparent scrutiny, following the Strategic Partnering Board annual review, the information to be shared with Scrutiny & Policy Development Committee at the next scheduled meeting to enable all members a better understand the operational value of the partnership.

R9: That Overview, Scrutiny & Policy Development Committee is presented the base line results at year 5, 8 and year 12 of the contract to enable consideration that value for money, the meeting of Partnership Targets and that there are no significant key performance indicator failures or material defaults under the terms of the contract.