

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	UPDATE ON THE PERFORMANCE AND TRANSITION OF SERVICES FROM CAPITA TO THE COUNCIL		
DATE OF DECISION:	14 NOVEMBER 2019		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
Not required. While previous reports on this topic were kept confidential during the life of the insourcing project due to legal, commercial and HR considerations, following the closure of the project there is no reason to withhold the majority of relevant information.
BRIEF SUMMARY
In July 2018 the City Council decided to terminate the Strategic Services Partnership (SSP) contract with Capita. A project (codenamed 'Sage') was established to prepare for five services and associated staff to be transferred from Capita to the Council. Capita established a parallel project ('STEP') to execute the transfer.
The Overview and Scrutiny Management Committee (OSMC) was kept updated during the life of the projects and indicated its wish to receive reports in future about the performance of services following transfer back to the Council.
Both projects concluded successfully on 23 July 2019 with the transfer of over 240 staff and nearly 200 contracts to the Council. This was achieved within the financial mandate authorised by the Council. All risks were successfully managed and the projects were properly closed down in accordance with project management methodology.
Services have been performing satisfactorily since transfer and the expected benefits are starting to be realised. A number of services have already gone through a restructuring process as a result of which vacant posts are being filled. The Council is moving forward with a different but positive relationship with Capita.
This report provides OSMC with a summary of the transfer and the first very early set of performance data. Only two full months of data are available at the time of writing and it is therefore too early to draw any significant conclusions. It will be necessary to provide the Committee with a fuller update in early 2020, perhaps at financial year-end.
OSMC should note that this report presents only the Council's perspective on Projects Sage and STEP. It is not a joint report and Capita has not been consulted on its contents.
RECOMMENDATIONS:

	(i)	That the Committee notes this report.
REASONS FOR REPORT RECOMMENDATIONS		
1.	OSMC has requested a performance report from the services transferring back from Capita.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2.	Not to provide a performance report. Rejected due to OSMC having made clear its wish to receive such a report.	
DETAIL (Including consultation carried out)		
	Transfer preparations and implementation	
3.	In the months and weeks prior to transfer day there were intensive preparations by both Capita and the Council, jointly and individually. This included nearly 200 contracts being transferred to the Council, IT systems that were shared with other Capita clients being successfully disaggregated, and the Council undertaking all the necessary HR preparations to welcome a huge influx of new staff on a single day.	
4.	<p>On 23 July 2019, more than 240 staff associated with the services listed below were transferred under the TUPE regulations to the Council's employment:</p> <ul style="list-style-type: none"> • Revenues and Benefits • IT • HR services including Payroll, Health and Safety and Learning and Development • Procurement • Customer Services <p>Staff associated with the Print service did not transfer because the Council had notified Capita that it had alternative provision in place and would not continue with that service. Three Capita staff were not agreed by the Council to be eligible for transfer.</p> <p>In the months preceding transfer, staff turnover within Capita was normal in most services. Procurement was the only service that experienced a material loss of staff, with some vacancies being filled on an interim basis by Capita and others held open to be filled after transfer.</p>	
5.	<p>Smooth transfer was the principal objective for both Capita and the Council and this was jointly achieved. All staff agreed by the Council to be eligible for TUPE transfer reported for work on 23 July. No technical difficulties were encountered on the day, with all IT systems continuing to perform as normal. 23 July was payroll day for Council staff and all staff, including foster carers, were successfully paid.</p> <p>The Service Director for Digital and Business Operations wrote to Capita management on the day of transfer to thank them for their efforts and those of their staff. Other events were held to thank project staff.</p>	
6.	A series of welcome sessions were hosted by the Mayor, the Leader and the Chief Executive, with 76% of transferring staff attending. Staff from relevant SCC services also attended these events as well as team-building sessions arranged by the project team.	

7.	Following transfer a number of inaccuracies were discovered in the personnel data supplied by Capita. Resolving this was made more difficult because it had been agreed that historic personnel data would not be delivered by Capita until the end of August. (In the event the final files were not delivered by Capita until October.)
8.	At the time of writing this report only two of nearly 200 contracts remain to be resolved. Discussions with these suppliers, both of which are under the wider Capita umbrella, continue.
9.	The Sage project was formally closed on 12 September by the Project Board, with all actions completed or handed over to business as usual. A Project Closure report including principal lessons learned is attached as Appendix 1. This report has been slightly edited to remove some information not suitable for publication, such as invoicing status and potential for TUPE settlements.
10.	The business case for termination was based on the savings to be achieved by no longer having to fund the costs of Capita's margin and management team, and by service efficiencies such as elimination of duplicate contracts and removal of vacant posts that were not required. Budgets for the five transferring services were agreed by the Council Management Team during the project, forecasting higher savings than had been originally committed in the Full Council decision. These budgets are now embedded in the proposed budget for 2020/21 and longer-term financial plans.
11.	New financial benefits, not included in the original business case or agreed service budgets, are also becoming apparent. For example, the Council has been able to procure new IT equipment at a lower price than it would have paid were the contract still in place. It is expected that further such benefits will be realised as the services bed in.
	Service restructuring
12.	It was always seen as necessary to restructure the returning and existing services after transfer. There were a number of reasons for this: <ul style="list-style-type: none"> • The contract had been in place for 12 years and the structure, culture and organisational practice of the two organisations had grown apart. A restructure enables the services and individual roles to be realigned to achieve future strategic goals. • Capita had deployed some transferred staff (particularly IT) on other contracts, and used non-transferred staff on the Southampton contract, which meant that there were areas of both under- and over-capacity within the staff cohort transferring to the Council. • There were areas of duplication between Capita teams and Council teams, and some gaps. • The business case for termination and transfer assumed the removal of some posts, mainly vacancies.
13.	The Support Services Restructure started on 29 July and finished on 12 September. Staff from the Revenues and Benefits, Procurement and Customer Services teams were in scope. A management restructure of IT Services started the following week.
14.	IT: A management structure has been confirmed. This is designed to realign the most senior management roles into a cohesive management team with

	<p>equitable roles and responsibilities. This is the first step towards forming a team to lead the transformation of the service in line with the aim and aspiration to become a customer-focused, proactive service that can respond to colleagues' needs.</p> <p>One appointment has been made and the other two posts will be advertised. The new interim Head of IT, who starts with the Council in January, will take forward any wider change in the usual consultative manner.</p>
15.	<p>Revenues and Benefits: Following completion of the consultation it has been confirmed that all permanent staff are natural successors to posts within the new structure. There are two vacancies. As described in paragraph 17, these vacancies are part of a wider ring fence.</p>
16.	<p>Procurement: The total establishment for the Supplier Management team (which includes Procurement) is 33 posts. 18 appointments have been made and took effect as of 1st November. A further seven Procurement roles are now out to advertisement, including three Business Partner roles. The team has significant capacity pressures, particularly in Procurement and Buying Services, and the recruitment is being progressed as swiftly as possible.</p>
17.	<p>Customer Services: Following completion of the consultation 41 employees have been successfully appointed to new roles. Vacancies are part of a wider ring-fence and although some are now out for advertisement, a number are being held back for other imminent restructures so any staff at risk get a first opportunity to apply. In total there are 22.5 full time equivalent vacancies across Customer Services. This level of vacant posts is having some impact on performance. Every effort is being made to recruit to fill these as quickly possible. In addition, an external appointment has been made to the post of Service Manager for Customer Operations, who is due to start in November.</p>
18.	<p>HR Services: as the transferred staff have been heavily involved in supporting all other restructures and the roll-out of Business World, the review of the overall service was deferred and the proposed start date of 24 October 2019 planned. This will follow the standard 45-day consultation with an end of consultation date of 7 December 2019 for January 2020 implementation.</p>
	<p>Service performance since transfer</p>
19.	<p>Members are reminded that the original report to Council and subsequent reports to OSMC stated that there was likely to be a dip in performance following transfer, due to the disruption of changing management, restructuring and recruitment to fill any vacant posts. It remains the case that, given the extent of change within these services over recent months, management does not expect full 'business as usual' status to be achieved across the board until the end of the financial year.</p>
20.	<p>However, the performance position remains stable overall. This is a tribute to to the hard work and resilience of all staff during a period of significant change. A summary of initial performance data is attached as Appendix 2. A further report after more time has elapsed, allowing for a fuller interpretation of post-transfer performance, can be brought to OSMC at a future date.</p>
21.	<p>Service managers are now considering whether the performance indicators on which they report, many of which are inherited from the Capita contract, should be changed and made more relevant. For example, in IT most of the</p>

	KPIs and PIs that have been measured hitherto do little to demonstrate the quality or customer satisfaction of service. It is intended to move away from these to indicators that are customer-oriented, that will give a view of how the customer is experiencing the service; for example measuring end-to-end times to receive equipment once it has been ordered.
	Continuing relationship with Capita
22.	The final Capita invoices due under the SSP contract have been processed for payment, all sums due to the Council have been paid by Capita, and all Capita's claims for contract 'breakage' costs have been fully and finally settled. There are therefore no contractual or commercial 'loose ends'.
23.	The Council continues to have an important relationship with Capita following the end of the SSP contract. For example, the company is a supplier of major systems used by the Council, including in Education and Revenues and Benefits.
24.	Capita continues to have a presence in Southampton and still occupies the third floor of One Guildhall Square. This lease is due to expire in July 2020 but may be extended.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
25.	No new implications beyond the business case authorised by Council in July 2018 as yet identified. Recurring gross savings of £1.49M by the end of four years continue to be expected. We continue to monitor the overall financial position, including any resultant costs, as the services bed in.
26.	The project budget was accurately forecast and has been fully used.
<u>Property/Other</u>	
27.	As noted above, Capita currently only has a lease for the third floor of One Guildhall Square until July 2020. This position will be reviewed before that date.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
28.	S1 Localism Act 2011, S111 Local Government Act 1972
<u>Other Legal Implications:</u>	
29.	The staff who were not deemed by the Council to be eligible for TUPE transfer have time-limited rights to bring claims before the Employment Tribunal challenging the position. It is not appropriate to comment on the potential for this in a public report.
RISK MANAGEMENT IMPLICATIONS	
30.	All project risks were successfully managed.
POLICY FRAMEWORK IMPLICATIONS	
31.	N/A

KEY DECISION?	No	
WARDS/COMMUNITIES AFFECTED:	none	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	Project Closure report	
2.	Performance report	
Documents In Members' Rooms		
1.	None	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.		
2.		