

DECISION-MAKER:		OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:		FINAL REPORT ON CAPITA SERVICES TRANSFER		
DATE OF DECISION:		13 AUGUST 2020		
REPORT OF:		CABINET MEMBER FOR CUSTOMER AND ORGANISATION		
<u>CONTACT DETAILS</u>				
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STATEMENT OF CONFIDENTIALITY
Not required. While previous reports on this topic were treated as 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 relevant information.

BRIEF SUMMARY
<p>Overview and Scrutiny Management Committee (OSMC) is aware from numerous previous briefings that five services were transferred from Capita to the Council on 23 July 2019. This report provides a final update on the following aspects of the transfer:</p> <ul style="list-style-type: none"> • Restructuring of services • Performance of services • Costs of services • Impact of Covid-19 pandemic • Audit opinion • Business as usual management arrangements <p>Performance by the services that transferred has been strong despite the disruption of the transfer and the Covid-19 pandemic. All services have now completed a restructure with the exception of IT, and plans are in place to complete this process shortly. Savings delivered are in excess of those projected and committed to Council in 2018, and the project was closed within budget.</p> <p>While any project has its minor ‘hiccups’ and one restructure is yet to be completed, overall the project should be considered a success and a vindication of the Council’s decision to take direct control of its services and be fully accountable for them.</p>

RECOMMENDATIONS:		
	(i)	That the Committee note the contents of this report.
REASONS FOR REPORT RECOMMENDATIONS		
1.	OSMC has requested a final report after the end of financial year 2019/20.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2.	Not to provide a final report. Rejected; OSMC made clear its wish to receive such a report.	
DETAIL (Including consultation carried out)		
3.	<p>The Council served 12 months' notice of termination on Capita on 19 July 2018. As a result, on 23 July 2019 the following services and associated staff, assets and contracts transferred back to Southampton City Council:</p> <ul style="list-style-type: none">• IT• Procurement• Customer Services• Revenues and Benefits• Operational HR services (Learning and Development, Health and Safety, HR administration – Payroll and Pensions),• Over 240 employees• Nearly 200 contracts (the majority being IT contracts)	
4.	<p>There were some problems that are typical in such a large transfer such as missing or incomplete HR data, lack of access to key systems for some individuals, lack of familiarity with SCC procedures etc; but the principal risks of interruption to services, transferred staff not being paid, contracts not transferring or substantial numbers of non-attenders on transfer day were all successfully mitigated and did not materialise. The project was completed in September 2019 and OSMC received a copy of the Project Closure report at its meeting in November 2019. Overall therefore the project is considered to have been successful.</p>	
Restructuring of transferred services		
5.	<p>Three services were restructured immediately after transfer: Customer Services, Procurement and Revenues and Benefits. The HR services were restructured from the end of 2019. These restructures were completed successfully and in accordance with SCC policies. Staff in these services are now on SCC contracts, and services have recruited to fill vacancies.</p> <p>The Print service, which Capita had provided under the contract, was not transferred to the Council as it was not required and would not be directly provided in future. Print jobs are now procured externally through a micro-procurement framework, delivering significant savings to the council.</p>	
6.	<p>Other than one post, the IT restructure was delayed due to the resignation of the IT Service Lead the day after transfer. A new Head of IT took up his post in January 2020 and originally expected to conclude a full restructure by the time of the OSMC meeting. However, all non-essential work was paused at the onset of the Covid-19 pandemic, so the restructure was delayed. At the time of writing it is anticipated that the staff consultation will be in progress by the end of July. While no guarantees can be given it appears at present, particularly as there are a number of vacant positions, that there are</p>	

	at least as many posts as there are staff. In line with existing SCC policies the restructure will seek to mitigate any potential redundancies.
7.	Across all the transferred services, there have been very few (under 10) compulsory redundancies following the transfer and service restructures. There is one case of a member of Capita staff who was not deemed eligible for transfer under TUPE and is pursuing an Employment Tribunal claim.
8.	<u>Procurement</u> : the service is now fully staffed, with the final vacancy being filled in June. During the latter part of the Capita contract the service had carried numerous vacancies and there were also significant numbers of vacancies in the months following the transfer and up until April 2020.
9.	<u>HR</u> : the service is still carrying vacancies after some candidates withdrew when the Covid-19 lockdown was imposed. Recruitment to vacancies resumed in July 2020.
10.	<u>Customer Service</u> : the service is still carrying vacancies with interviews for the final roles planned at the start of lockdown. Recruitment is being restarted over the summer.
11.	<u>Revenues & Benefits</u> : the service is now fully staffed and includes two additional posts.

Performance of transferred services

12.	Members are reminded that the original report to Council and subsequent reports to OSMC stated that there may be a dip in performance following transfer, due to the disruption of changing management, restructuring and recruitment to fill any vacant posts. Management targeted the end of the financial year for service stabilisation.												
13.	In general, however, performance improved after transfer without a noticeable dip, until the onset of the Covid-19 pandemic diverted almost all staff to essential response duties, with inevitable impact on non-essential work and the development of the services (the impact of the pandemic is analysed later in this report). There were specific performance problems in IT relating to a backlog of 400 enquiries and orders that had built up since transfer due to system problems, staff sickness and an expansion of the laptop rollout programme. This backlog was being reduced before the pandemic and in light of the changed circumstances will be reviewed in August with a plan to clear the existing request backlog that now exists.												
14.	Key Performance Indicators (KPIs) vary by service, with some continuing to collect the same data collected by Capita and others creating new KPIs, some of which are still being developed. Comments on individual services are provided below.												
15.	<u>Procurement</u> : KPIs inherited from Capita were discontinued as they were not relevant, being partly related to the contract. A new set of KPIs is being developed as follows: <table border="1" data-bbox="210 1664 1401 2029"> <thead> <tr> <th rowspan="2">KPI</th><th rowspan="2">Purpose</th><th colspan="2">Performance</th></tr> <tr> <th>July 2019</th><th>June 2020</th></tr> </thead> <tbody> <tr> <td>Compliant expenditure</td><td>Demonstrates % and value of overall Council spend above £5,000 which is made through Business World and in accordance with</td><td>65.16%</td><td>97.19%</td></tr> </tbody> </table>			KPI	Purpose	Performance		July 2019	June 2020	Compliant expenditure	Demonstrates % and value of overall Council spend above £5,000 which is made through Business World and in accordance with	65.16%	97.19%
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		Contract Procedure Rules. Aim is to increase compliant expenditure over time.			
	Number of suppliers paid in Month	Indicates number of suppliers within supply chain. Aim to demonstrate a reduction in 'tail spend' over time	1,845	1,118	
	Average monthly spend per supplier	Indicator of the level of aggregation of spend. Aim to increase spend with a smaller number of suppliers.	£13,003	£17,672	
	<p>Performance against each of these indicators has improved significantly over the period since their measurement commenced in July 2019.</p> <p>Further indicators are being developed around the timescales to complete procurement projects, local expenditure, expenditure with Small and Medium Sized Enterprises and reporting against these indicators will be available by the end of September 2020.</p>				
16.	<p><u>HR & OD:</u> Some of the Capita KPIs have been retained and most have been replaced. In addition, following the HR & OD restructure, KPIs are being re-visited by all service areas to ensure they focus on key outputs and outcomes.</p>				
17.	<p><u>Customer Service:</u> It is possible to do direct comparisons on Customer Service as historical data is held. Substantial performance improvements have been seen since the transfer. Initially the focus has been on shifting the focus to the customer, working towards first-time resolution and providing a good overall customer experience. The new set of KPIs measures:</p> <ul style="list-style-type: none"> • Average speed of answer • Total calls answered • Customer satisfaction • Number of customer surveys <p>Further measures are being developed to support the desired behaviours of the team.</p> <p>The charts in Appendix 1 show that, even during a restructure, Southampton City Council outperformed Capita for the average speed of answer compared to the same month the previous year until the onset of Covid-19. Even supporting a range of additional activities to support the Council's response performance was similar to the same period last year.</p>				

18.	<p><u>Revenues and Benefits:</u></p> <p>Although KPIs for the service have been reviewed, it is possible to compare performance for key KPIs on collection rates of council tax and business rates. However, the Covid-19 pandemic and related Government decisions have had a direct impact that makes like-for-like comparisons difficult.</p> <p>Debt recovery action was temporarily suspended by the Council from 24 March, recommencing on 1 June. This was part of the authority's response to Covid-19, recognising that many people were struggling financially. It provided a 'breathing space' until Government support measures were introduced and implemented and included, for example, reprofiling collections for some customers so that payments were deferred until June. Recovery action has now restarted with a softer approach and currently all court action and enforcement action is on hold.</p> <p>Council tax</p> <p>As at 30 June 2020 collection rates are 1.26% behind the same time last year, again an impact of Covid-19. The service is making every effort to recover council tax income for the remaining part of the financial year.</p> <p>The Government's Hardship Fund means that all working-age residents currently receiving Local Council Tax Support ('LCTS') will get a further reduction in their annual council tax bill this financial year of £150. This will reduce net collectable debt by £2.054m but does not count as cash collected.</p> <p>Business rates</p> <p>For 2020/21, in accordance with the Government scheme, the council has been awarded over £51m in retail, hospitality and leisure reliefs.</p> <p>Due to the number of reliefs awarded, a 'like-for-like' comparison in terms of collection with last financial year is neither possible nor meaningful as the collection rate will inevitably be lower. Having said this, the rate at 28th July 2020 was only 0.39% lower when compared with 28th July 2019. The Service is closely monitoring the effects of Covid on collection rates.</p>
19.	<p><u>IT:</u> It is possible to do direct comparisons on IT although there are plans to change the KPI set as a number of them were contractual and did not reflect value to the customers.</p> <p>General customer satisfaction showed an improving trend initially after the transfer, but dipped when the backlog of requests grew. However, data for Incident response (Service desk queries) has now improved. Performance charts are provided in Appendix 1.</p>
20.	<p>Overall, accepting that the Covid-19 pandemic has disrupted all services, it is clear that the original expectations on performance – that transferring services to the Council would result in performance that was at least as good as that under Capita – have been met, and in some cases exceeded, with IT yet to be restructured and some KPI sets still to be developed.</p>

Costs

21. The original business case approved by Council in July 2018 set out the following expected savings from transferring the services (£M):

19/20 (part)	20/21	21/22	22/23	23/24
-0.19	-0.74	-1.08	-1.49	-1.49

22. The following table shows the service budgets for the past two financial years and the outturn for 2019-20. This shows a marked reduction in costs of the services across all services.

Service	2018-19 Budget	2019-20 Budget	2019-20 Outturn
Partnership* Ret Svcs**	2,109,172	1,980,786	1,535,245
Procurement Services Ret Svcs	640,994	624,497	921,839
IT Ret Svcs	4,075,420	3,955,560	4,012,949
R&B Ret Svcs	3,382,956	3,294,078	2,897,913
Customer Services Ret Svcs	2,264,658	2,184,029	1,830,666
HR Services Ret Svcs	1,754,886	1,792,293	1,516,039
	14,228,086	13,831,243	12,714,650

*Partnership includes costs accounted for centrally by Capita such as management, reception, facilities, etc, now accounted for under the relevant SCC service

** Ret Svcs = budget lines for "returning services" to enable these costs to be tracked after transfer

During 2019-20 following the reintegration of services there was a savings target of £0.19M for the returning services. Savings of £1.12M by the returning services were made by the services as per the following:

Service	Savings Target	Savings achieved
Partnership Ret Svcs	28,304	445,541
Procurement Services Ret Svcs	8,567	- 297,342
IT Ret Svcs	53,411	- 57,389
R&B Ret Svcs	45,214	396,164
Customer Services Ret Svcs	30,046	353,363
HR Services Ret Svcs	24,458	276,254
	190,000	1,116,593

The main pressures were in IT services where the cost of transferred staff was high, and a number of contracts were inherited that would not be needed in the longer term. As described above, an IT restructure is due to begin shortly that will enable savings by removing posts that have become vacant, or were made voluntarily redundant, following the transfer.

Procurement services within Capita had been significantly reduced prior to reintegration of services within the authority, which meant that higher-cost interim staff were needed to address resource shortfalls pending full recruitment.

All other services have been able to achieve or exceed expected savings through restructuring and ending unnecessary contracts.

	The further savings required by 2023/24 are included in the Medium-Term Financial Strategy and will be budgeted for in the relevant years.
23.	Cost exposure has been managed and will continue to be monitored as the change 'beds in'. For example, contract breakage costs came in at under £100,000, down from a potential exposure of £2M. With regard to the direct project costs as reported to OSMC in November, these were closed within the agreed £950,000 budget.
24.	Again, subject to the same caveats about the Covid-19 pandemic and the delays to the IT restructure, it is clear that the project has achieved the expected revenue savings put to Council two years ahead of schedule, and that performance that is as good as, or better than, it was pre-transfer has been secured at lower cost by transferring services to the Council.
Impact of Covid-19 pandemic	
25.	All transferred services were directly affected by the onset of the Covid-19 pandemic in March 2020. Like everyone else, staff in these teams were asked to work from home (where possible), and their work was refocused in response to the developing pandemic and Government policy. For example, the Revenues and Benefits team was instrumental in the distribution of grants to businesses from the very earliest stages, HR improved online transactional services and developed new areas of sickness policy based on public health guidance, and the Procurement team was central to the building-up of stocks of Personal Protective Equipment. In all of the returned services, the pace of development and improvement slowed or was halted completely while the focus of those services was altered in order to support the COVID-19 response.
26.	<p>Two of the transferred services had their work entirely changed by the pandemic:</p> <p><u>IT:</u> From 16th March the two priorities for IT were a) to keep the Council's essential network and systems infrastructure operating; and b) to maximise home working. All development projects were paused and a change freeze was imposed to reduce risk to network stability. 700 additional laptops were rolled out to the organisation, support hours were extended, technical improvements were made including the installation of additional servers, and by the end of June all staff were enabled for Office 365 even if not all had activated it. Despite the huge pressure of a 30-fold increase in home working, the Council's systems operated throughout the crisis.</p> <p><u>Customer Services:</u> At the onset of the pandemic a number of service phone lines were suspended in order to free up capacity to be able to provide information to residents and businesses about Covid-19, Government initiatives and the Council's response. In particular, the team was central to the Community Support Hub that was created to support vulnerable residents, and two dedicated phone lines were put in place from 1 April. This was in addition to maintaining customer access to key services like social care, waste, highways and emergency housing repairs. For technical reasons the contact centre could not operate fully from home, but the service was split into two teams, working in the office on alternate days, and thus able to operate within the social distancing guidelines.</p> <p>At the time of writing both teams are transitioning back to a more 'business as usual' model, but flexible Covid-19 working practices have been established and can be quickly resumed if required.</p>
27.	Performance in both IT and Customer Services has been significantly affected by the Covid-19 pandemic, given that their focus and priorities changed essentially overnight.

	There remains a significant backlog of IT requests, although the accelerated deployment of laptops and Office 365 has eliminated a future wave of home working requests.
28.	All staff have risen magnificently to the Covid-19 challenge, regardless of whether they were ex-Capita or not. However, the flexibility and instant response of all services to the pandemic has provided an unexpected proof of the benefits of the transfer back to the Council. While there is no suggestion that the response under the Capita contract would initially have been slow or inflexible, it would have needed to be supported by contractual change controls, relief on Key Performance Indicators, internal Capita governance and commercial negotiation of new work packages, all of which would have created an administrative overhead and almost certainly additional costs. In contrast, as directly-operated Council services, a management instruction was sufficient to refocus teams overnight, with no need for any ongoing contractual or commercial considerations. This will also be the case if response measures have to be stood back up.
Internal Audit opinion	
29.	An internal audit of IT applications and operating systems was conducted in February 2020. The audit looked at contract management, evidence that valid contracts were in place and loading of contracts onto the Supplier Management Database (Contracts Register). Following the work to transfer contracts from Capita and ensure they are current and accurate, the auditor was able to give a full 'Assurance' opinion – the highest rating available.
Business as usual management	
30.	<p>The services will now be managed on a 'business as usual' basis by the following officers (Head of Service/ Director):</p> <ul style="list-style-type: none"> • Customer Service: James Marshall (Head of Customer and Communications) / James Strachan (Service Director Business Development) • IT: Gavin Muncaster (Head of IT) / James Strachan (Service Director Business Development) • HR: Katie Cope (HR Advisory Manager) / Chris Bishop (Head of Organisational Development) / Gareth Terry (Workforce Data and Systems Manager) / Ian Moss (Service Manager – Health, Safety and Employee Wellbeing) / Janet King (Service Director HR and OD) • Procurement: Paul Paskins (Head of Supplier Management) / John Harrison (Executive Director Finance and Commercialism) • Revenues and Benefits: Vanessa Shahani (Income and Expenditure Manager) / Nigel Ashton (Head of Commercialisation) / John Harrison (Executive Director Finance and Commercialism) <p>Print services are now managed through an external framework under which pre-procured prices and services are available to staff wishing to order printed products.</p>
31.	All employees occasionally experience disruption and frustration with life in a large organisation, and the transferred services are no exception. It may take time for some transferred staff to feel fully 'at home' in the Council and this will be kept in mind by senior management. In addition, perspectives may be different as some services are largely staffed by recent recruits and others include many staff who were with the Council prior to transferring to Capita. There is therefore more engagement work to do with all staff. Managers are keen to blend the best of the Capita culture with the

	Council's way of working, and look forward to building a positive working culture with their teams and colleagues across the wider organisation.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
32.	There are no additional resource implications above what was agreed by Full Council in February at the Budget meeting as the services are being managed within the agreed mandate.
<u>Property/Other</u>	
33.	Capita has decided not to continue its occupation of the third floor of Guildhall Square from 23 rd July 2020 and the space will therefore be marketed.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
34.	Local Government Act 1972, Localism Act 2011 and associated legislation.
<u>Other Legal Implications:</u>	
35.	No further implications following the closure of the project.
RISK MANAGEMENT IMPLICATIONS	
36.	No further implications following the closure of the project.
POLICY FRAMEWORK IMPLICATIONS	
37.	No further implications following the closure of the project.

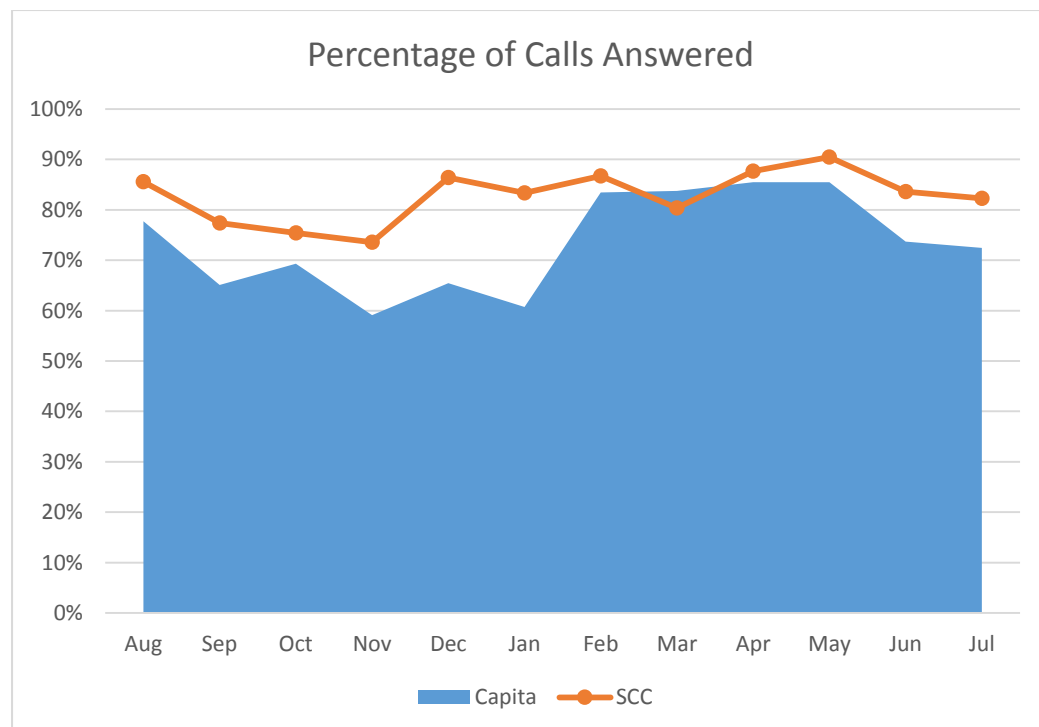
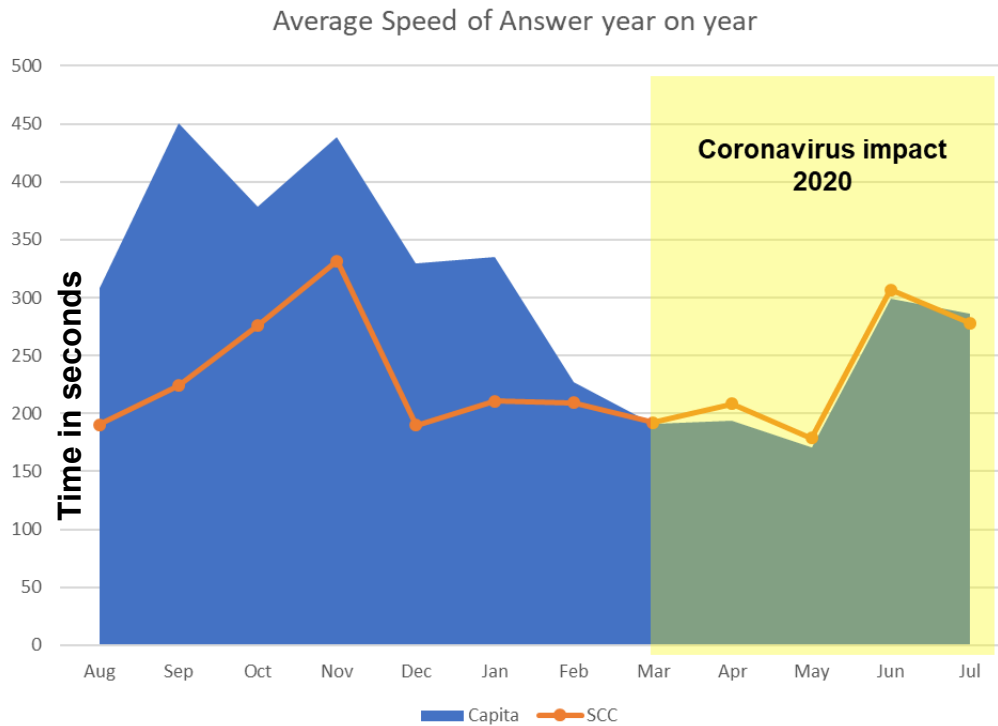
KEY DECISION?	N/A
WARDS/COMMUNITIES AFFECTED:	N/A
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Performance data by service
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried 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.	N/A	

Appendix 1: Performance data by service

Customer Service

These charts show comparisons between the year prior to transfer (blue) and the year following transfer (amber line).



Call Measures

	Before (Capita)		After (SCC)	
	From	To	From	To
Time Frame	1/8/2018	31/7/2019	1/8/2019	31/3/2020
Working Days in Period	261		173	
Calls Ans in Period	290,886		193,228	
Average Calls per day	1,115		1,117	
ASA	297		229	
% Ans	73%		81%	
% Busy	14%		8%	
% Aband	15%		12%	
Average time on each call	358		362	
Calls Transferred to Survey	1,601		10,411	
Surveys per day	6		60	
Surveys Completed	116		7,342	
Conversion Rate	7%		71%	
Cust Satisfaction	71%		79%	

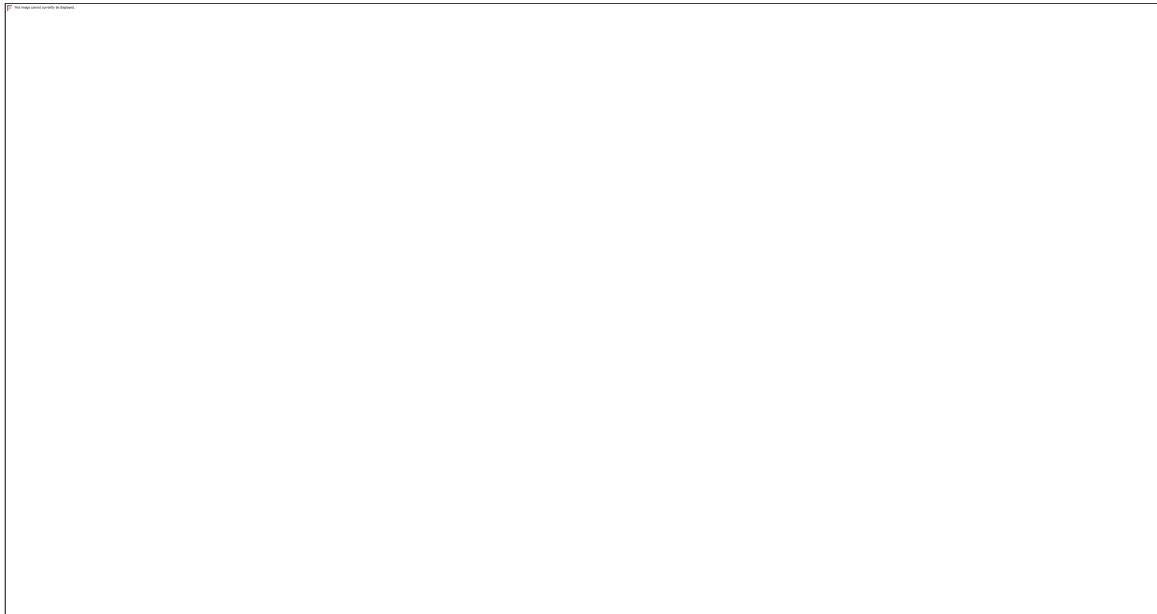
Since transfer the number of calls being answered per day is about the same but they are being answered quicker. The service is answering a lot more of the customers that call than before, as the percentage answered is up and percentage busy is significantly down. The time spent with each customer is slightly up highlighting the increased customer focus.

This Council is receiving 10 times the survey calls with many more of them completing the survey (up from 7% to 71%), and the customers are more satisfied (up to nearly 80%).

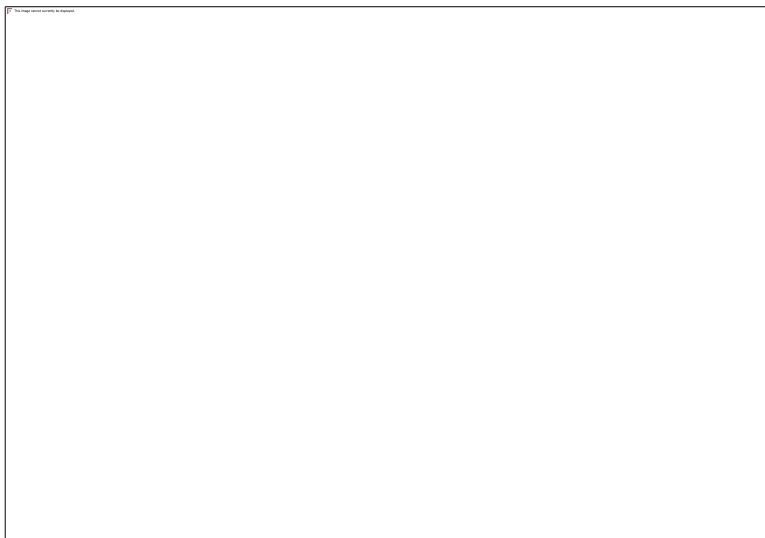
Webchat Measures

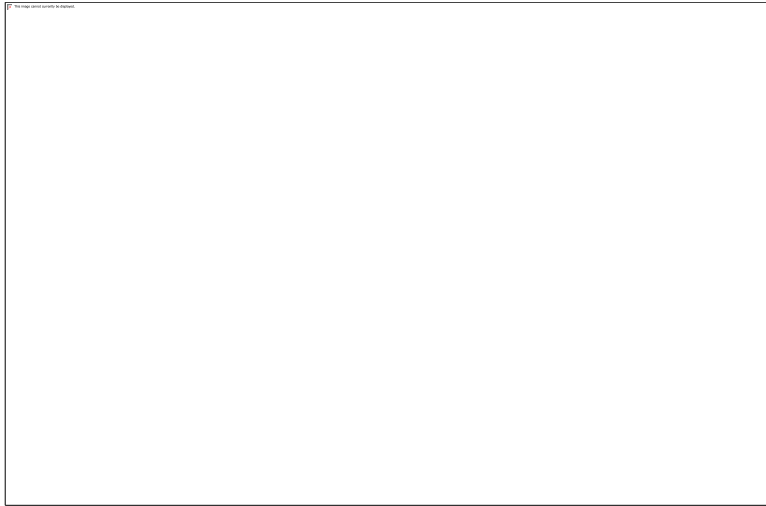
	Before (Capita)		After (SCC)	
	From	To	From	To
Time Frame	1/11/2018	31/7/2019	1/8/2019	13/7/2020
Working Days in Period	195		243	
Webchats started in Period	5,118		11,002	
Avg Webchats per day	26		45	
Since transfer the number of webchats has nearly doubled and we have seen over 1,000 per month recently.				

Procurement

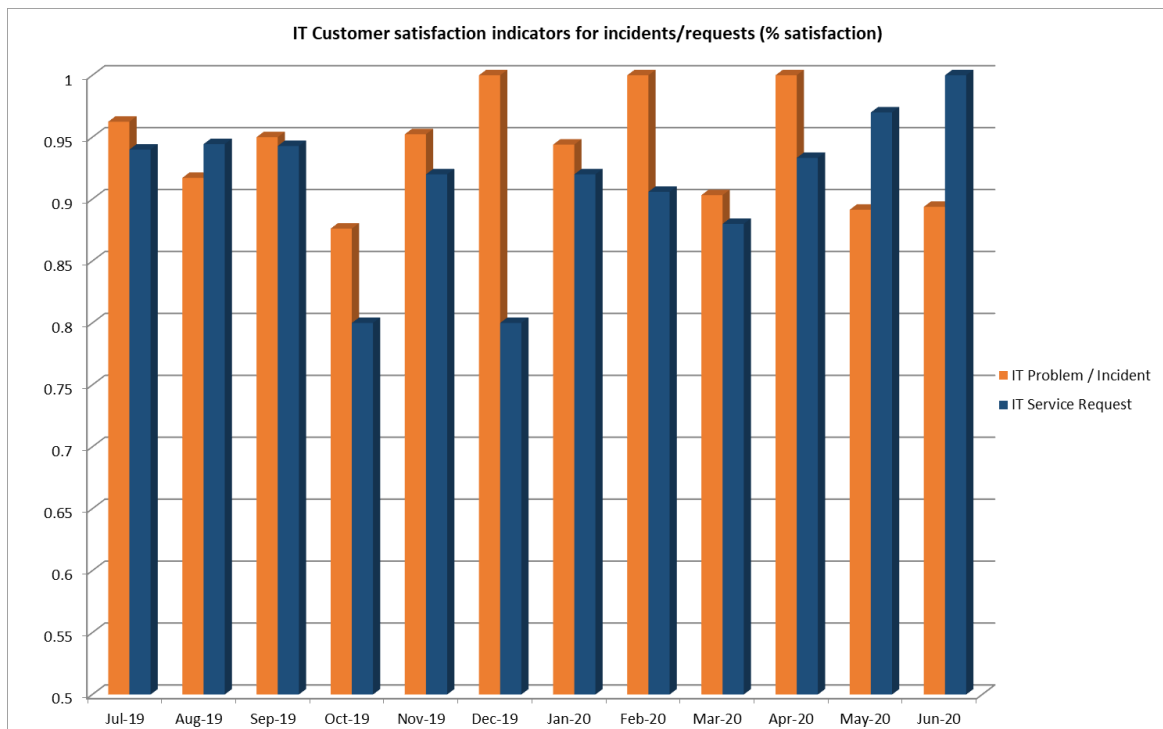


Note; March and April includes Covid-19 emergency spend

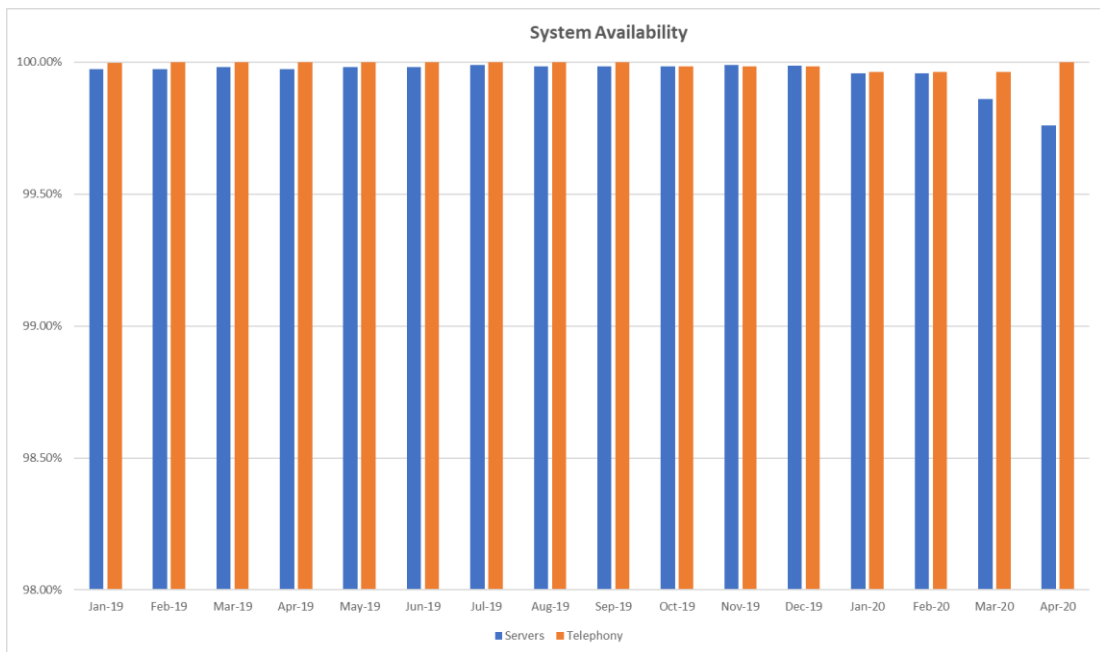
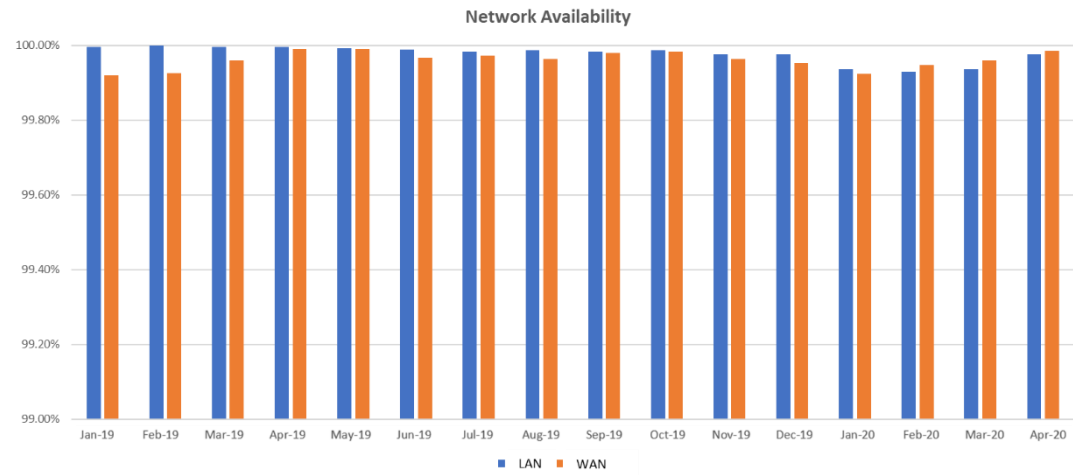




IT

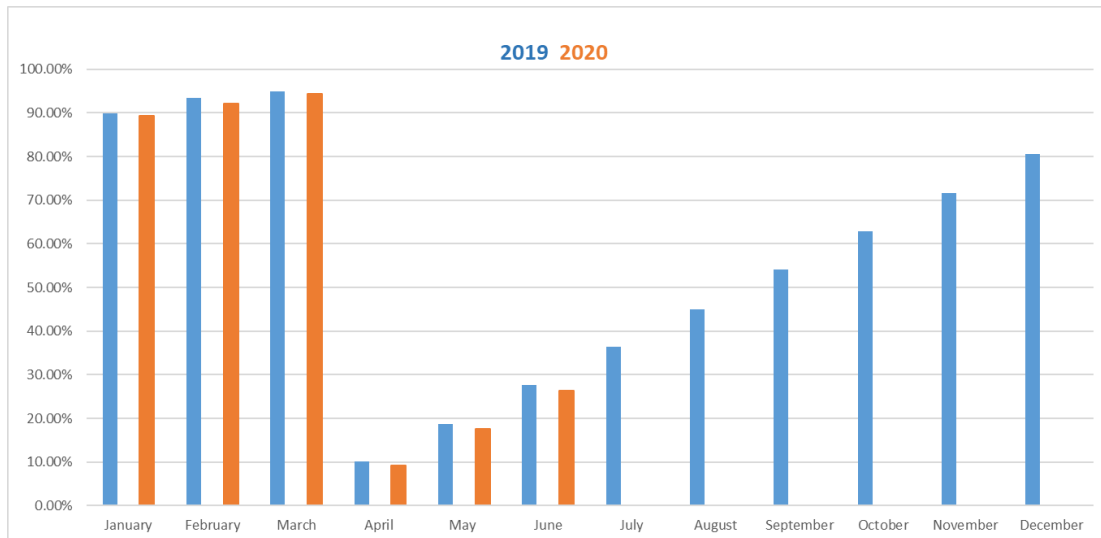


Availability of network and services has remained above 99.5% although it is acknowledged that traditionally remote access has not been included in these measures, so while servers and software may have been available to those in the office it was, at times, difficult to access remotely.



Revenues and Benefits

Council Tax collection in-year



Business rates collection in-year

