

Capita Contract Management

Internal Audit Report - September 2009

Management response

This document is an overall management response, to be read in conjunction with the detailed management response to Internal Audit recommendations, following the recent audit of the Capita Contract Management on behalf of the Group Director, Business Transformation.

The audit has been helpful in consolidating and prioritising a range of activity that is considered to be necessary to ensure that the Council's interests are protected and that Capita delivers against its contractual obligations. The detailed management response demonstrates that a significant number of recommendations have already been acted upon and progress made.

A key element of the audit is that it should be used to clearly articulate to the wider Council the importance of ensuring that adequate resource (skills and capacity) is devoted to the management of a partnership of this scale and that development of an experienced and effective client function takes time and significant effort as evidenced by other local authorities, and referred to in the audit report. The learning from this audit must be used to ensure that future proposed partnerships (SCS, Housing, Adult Social Care etc) are established with the appropriate level of skills, client and governance structures in place to deliver the Council's ambition and protect the Council's interests.

However, it is important to review the audit findings and progress to date in the context of what the Council set out to achieve with the Capita partnership. The Cabinet report of December 2005 set out that the Council was seeking:

"A partnership, based on and measured on agreed outcomes rather than outputs.....Built on openness and trust and 'win-win'"

On this basis, there is a potential conflict in understanding whether the Council has entered into a 'partnership' or a 'client contractor relationship' with Capita. It is therefore potentially difficult to determine the context under which the relationship should be managed and audits are undertaken.

The report usefully highlights some areas that need addressing and developing, but the audit also stimulates the debate as to whether a strictly client/ contractor relationship and management approach is what was envisaged at the outset of the process to procure an incremental strategic partner. It is accepted that there is a need to have rigour in the Council's client processes, even in a strategic partnership, but the Council also needs to reflect on the nuances of the slightly more sophisticated agreement that it was/is aiming for which will, by its very nature involve a lot more learning from both parties.

There is a dilemma to resolve that ensures the Council's interests are protected but without an over emphasis on introducing lots of process into the system. If there are issues to be addressed, the Council needs to be satisfied

that introducing layers of process and monitoring is balanced at the right level, rather than to a level that becomes counter intuitive to the aim of having a transformational partnership with a thin client. The Council is currently reviewing the capacity and structure needed to client the relationship, but current medium term financial challenges are unlikely to allow significant expansion of the client team. Therefore, the main focus should be on how to further develop our client capability, to fulfil the aim of having a thin but effective client and develop a mature strategic partnership based on trust and mutual benefit, that does not feel the need to be constrained by conventional processes. The Council needs to determine how much transparency and documentation of discussions should be applied to the partnership, given that all client leads are senior members of the Council's management team and have a responsibility to act in accordance with the accountability they are given.

The Council had an extremely ambitious agenda for the partnership and should reflect on the significant achievements to date:

- 9 services largely successfully transferred with 95% of KPI targets being achieved this year to date
- Significant transformation delivered: One Stop Shop, Contact Centre, integrated and payroll system, IT and telephony infrastructure that is fit for purpose and resilient (more to do, but not initially in the contract), Customer Relationship system within 2 years etc
- 6 Business Cases agreed bringing additional significant savings

It is acknowledged that there is still 'lots more to do', but the Council is unlikely to have achieved all of the above within the last two years without the partnership. The Council now needs to balance its ambition for continuing its transformation at pace vs the risk of operating in a less constrained, trusting and flexible environment.