

CAPITA Contract Management

AUDIT COMMITTEE

Date: 24TH November 2009

Author: Group Director – Business Transformation

Parish / Wards Affected: None

Purpose

To provide additional information to the committee as requested at the meeting on 22 September 2009 in respect of the arrangements for the management of the Capita contract.

Recommendation

Audit Committee is requested to note the contents of this report.

1. Reasons

- 1.1 The Chair of the Audit Committee requested that the Internal Audit on Capita contract management be presented to the committee once it had been finalised early in September 2009.
- 1.2 The report was presented to committee on 22 September 2009. As a result of discussions, the committee requested additional information which is supplied in Appendix 1 to this report:

2. Detail

- 2.1 The report following the internal audit review of the arrangements for the management of the Capita contract was presented to committee on 22 September 2009, following an overall risk assessment of 'Of Concern'.
- 2.2 A full, point by point, management response was included in the report along with an overall summary response.
- 2.3 The committee reviewed the internal audit findings and requested that additional information be provided to the committee as follows:

‘That the Committee be provided with details of the level of penalty issued against Capita to date plus details of waived penalties and the reasons for those penalties being waived.’
- 2.4 This report sets out the requested information at Appendix 1, together with some additional background detail to provide the overall context for the information provided for Members consideration.

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2.5 The Councils Partnership Manager will be at the Audit Committee to answer any questions Members may have.

Alternative Options

- Not applicable

Risk Management

Financial and Procurement Implications

Given the value of the partnership it is important to ensure robust and transparent governance arrangements are in place to allow regular formal scrutiny of adherence to contractual obligations by both parties ensuring:

- That partnership strategy and direction is fully aligned with overall Council wide strategy and direction going forward
- Performance targets are met
- Continuous improvement regimes are in place
- The transferred services continue to demonstrate value for money. The contract allows for a full benchmarking exercise to be carried out at regular intervals during the contract period.
- The significant Capital investment delivers the Council's required outcomes
- Agreed Business Cases are implemented on time to the contracted standard.

Legal / Human Rights Implications

- There are no direct legal or Human Rights implications arising from this report.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

The partnership directly contributes to elements of the Council's strategy as set out in the Corporate Plan and 50 promises. Under the partnership Capita have been responsible for delivering Promises 1, 2 and 8, (One Stop Shop, Contact Centre and Customer Complaints).

Consultees

- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- Group Director: Business Transformation
Head of Internal Audit

Background Papers and Appendices

- **Appendix 1** CAPITA Contract Management – additional information

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APPENDIX 1

CAPITA Contract Management – additional information

1.1 At the Audit Committee on 22 September 2009 the following additional information was requested by Members:

‘That the Committee be provided with details of the level of penalty issued against Capita to date plus details of waived penalties and the reasons for those penalties being waived.’

1.2 The sections below set out the specific detail requested, together with further background supporting information which provides the context around the decision making in respect of the application of penalties.

Performance

1.3 Each service, that Capita has operational responsibility for, has a range of Key Performance Indicators (KPIs) in place to enable the Council to monitor service performance. Currently there are 92 different KPI's across the full range of services. Whilst the majority of KPIs are measured monthly, some are measured quarterly or annually.

1.4 Since the Capita contract began in February 2007, approximately 2,168 KPIs have been measured and reported on. Measurement of monthly indicators begins approximately 3 months after the service commencement date for each service, following a period of contractual baselining.

1.5 Of the c2,168 KPIs measured to the end of September 2009, the number of KPIs which have failed to meet the agreed target performance levels totals 92 which equates to a failure rate of 4.2%. Therefore the average rate for meeting target performance has been 95.8%.

1.6 This is considered to be a strong performance given that there has been significant change and capital investment in many services since service commencement. This statement is further underpinned by the fact that the majority of change was implemented during the first two years of the contract and current 09/10 performance shows that 97% of targets are being met.

1.7 The Council and Capita agreed KPIs for the first three years of the contract for the majority of the services, with incremental improvement built in for future years. The parties reviewed the contractual KPIs at the end of 2008/09 and agreed some changes to the contractual KPIs for 2009/10, as it had become clear that some KPIs were not driving a particular desired behaviour within the Partnership, or measuring those things that are directly related to the success of the service and the current objectives of the council. The KPIs for 2010/11 will be reviewed in January 2010 and any changes agreed in light of any changing Council focus and 2009/10 performance.

Further information on the subject of this report can be obtained from Sue Mendham on 01793 464932 or Email smendham@swindon.gov.uk.

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1.8 As set out in the Internal Audit report submitted to committee on 22 September 2009, under the Partnership Agreement, there is a Price Performance Mechanism (PPM) which '....provides incentives for the Partner to deliver effective and sufficient solutions in relation to the provision of the Services.....' The PPM also aims to 'provide adequate protection to the Council where the Partner fails to deliver the required performance in relation to the Services.....'

1.9 The PPM sets out the targets for each KPI and the penalty regime that can be applied upon failure to meet the performance target, with increasing values, known as Service Credits, dependant on the severity of the failure. These have been updated to reflect the changes to the KPIs agreed for 2009/10.

1.10 Under the PPM the Council has the right to exercise its discretion in respect of whether or not to apply the penalties (Service Credits) in the event that a performance target is not met. The PPM further sets out that 'to reflect the spirit of partnership Service Credits will not necessarily be made automatically in the month(s) following a performance shortfall..... the Council will have reasonable regard to:

- a) actual improvement of the relevant performance shortfall
- b) robustness of any KPI recovery plan
- c) actual implementation of any KPI recovery plan
- d) overall performance of all KPIs in relevant Service Stream
- e) the timing of the failure prior to the review'

1.11 The decision whether to apply penalties is taken by the Council officers who attend the joint monthly Partnership Executive. Cabinet agreed the constitution of the Executive in September 2008 to include the following officers: Group Director, Business Transformation, Directors of Finance, Partnership, Performance and Communications, Head of Corporate Finance and the Partnership Manager.

1.12 The Council reviews each failure and considers whether it is appropriate to apply a penalty in the event of a failure, having received an explanation for the failure and the remedial action Capita has put in place to prevent further repeat failures.

1.13 Since the contract began, the Council has received direct payment for penalties to the value of £87,238, against a possible total value of £293,857 equating to 29.7%. However, in many instances where penalties have not been applied the Council has taken this decision on the basis that the Council members of the Partnership Executive have seen sufficient evidence to show that the value of the remedial action that Capita has put in place, is in excess of the value of the penalty that could have been applied.

1.14 The primary focus is to ensure that performance is rapidly restored to meet the target requirements and as such the decision taken to apply penalties is based on an assessment of the action being taken by Capita to restore performance to the agreed target.

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1.15 An example of this approach can be demonstrated in respect of repeated failures in IT during Spring/Summer 2008 in relation to the number of calls to the IT Help Desk and those calls being answered within a defined target period. Root cause analysis of the problem identified that the volume of calls had risen beyond contractual expectations and additional staff on the Help Desk would be required to restore service to the required performance level. Capita provided the additional staff at no additional cost to the Council. The value of the additional staff employed outweighed the cost of the penalties that could have been applied. In this instance it would have been cheaper for Capita to have continued paying the penalty rather than taking the corrective action required to restore the service.

1.16 The Council officers who attend the Partnership Executive will also assess a KPI failure in light of any significant changes being undertaken on the service in question. Another example of this is in respect of Customer Services that experienced a range of failures in 2008. At the time, and as advised to Cabinet in September 2008 and Scrutiny Committee in November 2008, the parties recognised that the initial transfer of services to the One Stop Shop and Contact Centre could have been executed in a more successful manner, with a 'broad and shallow' approach taken to business process re-engineering of the services rather than a 'deep and narrow' approach that would have increased performance. As a result Capita chose to undertake a significant investment to re-engineer the service; again this value was significantly in excess of any penalties the Council could have applied.

1.17 The Council also reviews its approach in respect of practice undertaken by other Councils. Another council, who also has a long term partnership with Capita, advises that currently their KPI performance for 2009/10 is running at an average of 95.4%, compared to Capita's current average performance in Swindon of 97%, despite the fact that all penalties are rigidly applied at the other council in the event of failure. On this basis it is not considered that the Councils performance would be significantly improved if a different strategy was applied.

1.18 In addition there are a number of KPI's where the attainment of the desired performance levels are also dependant on the performance of the Council, where Capita provide part of the service and the Council provide part of the service, such as the Customer Service Complaints Process and Closure of Service Requests. These KPI's are also reviewed at a monthly Service Review meeting between Capita and the relevant Council Service owners, to identify the root cause of any issues and agree responding strategies. Frequently the Capita performance exceeds that of the Council performance, and Capita are working closely with the Council to help improve the Council's performance.