

Performance and Finance Select Committee

20 March 2019

Capita Partnership Performance Report

Report by Director of Finance, Performance and Procurement

Summary

This report summarises the current performance of the Capita contracts, as well as providing an update on the partnership to ensure the contracts continue to meet the needs of our residents served by the County Council and our Capita Partnership.

Focus for scrutiny

The Committee is asked to consider and comment on the performance of contracts being delivered by the Capita partnership.

1. Background and Context

- 1.1 In 2010 the County Council outsourced the provision of IT services to Capita. The contract was for seven years and is known as the IT Outsource (ITO) contract. In 2012, the County Council entered into a 10 year contract with Capita to deliver a range of back office support functions and is known as the Support Services Outsource (SSO) contract. A full list of services is set out in Appendix 1. At the same time, an amendment was made to the ITO contract to extend the contract length such that they ended at the same time, in September 2022. The SSO contract year runs from October to September. The ITO contract year runs from November to October. In 2014 two services, Financial Adult Safeguarding and Welfare Benefit Advisers, were included as additional services under the SSO contract.
- 1.2 The principles and outcomes in the original contract were set out in order to meet the County Council's targets and statutory obligations. Provision of the services and service capability under the contract need to meet the following requirements:

Flexibility	the ability to react to trends and change in demand (up or down) for service provision
Agility	the intent and capability to respond to sudden changes in requirements, or to respond to ad-hoc situations quickly, focussing on service achievement over due process if necessary
Partnership	the willingness and ability of Capita to develop, in partnership with the Council, the nature of services

	available and the extent to which services are available
Manageability	the ability to streamline service delivery in order to increase flexibility (i.e. reduce spare capacity or cross-reliance on other elements of service provision) and make the services more responsive to demand
Cost	the need to meet savings targets, reduce cost of service provision, reduce overheads and to drive efficiencies
Innovation	developing an understanding of new models for service delivery that are commercial and a relevant response to political, economic, social or technological opportunity

2. Contract Management and Governance

- 2.1 The contract is managed by a centralised contract management function managed within the Finance, Performance and Procurement Directorate of the organisation which is supported by a number of service leads from across the County Council who act as Senior Responsible Officers for the relevant area of service support delivered by the Capita partnership. Under the governance structure, there is a joint officer Capita Board, known as the Operations Board which meets monthly to review and monitor operational performance as well as looking forward to prioritise and ensure the services meet evolving County Council requirements.
- 2.2 There is a strong alignment between the County Council's priorities and those of the contracted services. These are set out through jointly produced Annual Service Plans for each service outlining the agreed priorities for the year such as business as usual activity, transformation, and continual service improvement. There is a standardised reporting structure in place across all levels of the governance framework. There are also individual services specific Monthly Review Meetings which report to the Operations Board. They review the key day to day activities, and monitor the ongoing performance and development of the service.
- 2.3 The Cabinet Member for Corporate Relations has regular updates on progress both in terms of KPIs and any areas of transformation or significant change with the Director of Finance, Performance and Procurement.

3 Contract Performance

- 3.1 Both contracts were awarded on an outcome based delivery performance regime, where the County Council measure how successful Capita are in providing the services. This monitors Capita's operational performance against a series of Key Performance Indicators (KPIs) and Performance Indicators (PIs). The KPIs monitor the fulfilment of statutory and business critical tasks, and each area of the contract has its own specific measures which provide reassurance that specific work is prioritised.

- 3.2 There are 103 KPIs and 24 PIs. The performance and customer data supplied in this report relates to contract year 6. The total pass rate of KPIs is 93.3% which reflects the County Council's overall performance expectations and represents an improvement on performance reported in contract year 5. Equally, with the exception of those areas set out in Appendix B, Capita's performance across the KPIs varies month on month, which suggests in the main there is not a sustained pattern of poor performance in any one service. There were no reported KPI failures in Health and Safety, Procurement or Online Service Delivery.
- 3.3 The operational performance is also closely correlated to customer satisfaction. There are individual customer satisfaction targets for each service which are managed through one overarching KPI. All service lines undertake a survey that is reported individually and contributes to the overarching satisfaction rating. The score for contract year 6 was 3.5 (a score of 3 is considered satisfactory). In general the results show a normal distribution spread of results with 82.08% of responders scoring satisfied or above. Appendix B provides further detail on the contract performance and customer satisfaction scores.

4. Financial Performance

- 4.1 The performance of each service area is monitored via the budget monitor process. The centralised team are the budget holders of Capita costs arising from the contracts and are responsible for ensuring payments are made to Capita in line with the financial model. The current total value of the combined contracts over the 10 years is £249m. These combined contracts saved the County Council £5.8m per annum.

5. Annual Service Planning

- 5.1 The Annual Planning cycle for the contract year takes place in October and is finalised soon after as the contract moves into its next service year. Any operational and service improvements are fed into the Annual Service Plans which provides a robust framework for monitoring improvement and transformation throughout the year, while allowing services to accurately assess the impact of projects instigated by the County Council.
- 5.2 This planning also highlights any changes which might be required to the service levels and can lead to modification or new KPI performance measures.
- 5.3 The following sets some highlights of the Annual Service Plans providing an update on what activity was progressed together with the current position:

Customer Service Centre

- 5.4 The Annual Plan supports the engagement activity in order to take on more complex customer contact to create a 'deep front door' that reduces demand on back office functions and our front line services.

IT Services

- 5.5 The Annual Service plan describes the future total operating model, which includes an accelerated shift to the cloud and the implementation of a new operating model that simplifies IT delivery with a single point of accountability. It will look at the best way to deliver IT between now and the end of the contract and beyond. This means that the rationale is not constrained by the current arrangements. This will also consider the change in demand as digital opportunities are realised and a greater emphasis is placed on digital delivery. This new model will be designed to realise the advantages and opportunities outlined in the County Council's IT strategy.

Business Services (Administration)

- 5.6 The Annual Service plan for Business Administration continues to drive further improvement through end-to-end process streamlining, which is data-driven. There are a number of initiatives underway around continuous service improvements, the aim being to create a flexible and resilient administration service. Operational data which shows the volume and fluctuations in demand is used to manage and plan resource which enables ongoing communication and engagement with services around future requirements and forecasting demand.

Pensions Administration

- 5.7 Capita has provided the administration for the Local Government Pension Scheme (LGPS) and for Fire Fighters Schemes since the Support Services Outsourcing (SSO) contract commenced in late 2012. Since the Contract was awarded there have been additional complexities added to the Local Government Pension Scheme.
- 5.8 Following detailed consideration of the options it was recommended that the pension administration service be transferred to the Pensions Administration Service run by Hampshire County Council. The Cabinet Member decision report sets this out in detail. The transfer took place on 4 March 2019.

6 County Council Transformation

- 6.1 The transformation activity taking place within the organisation, in particular the Whole Council Design programme, is also informing and shaping changes to the back-office functions which will include potential impacts on the contracts. These changes are incorporated into the Annual Service Plans as they develop which continue to be managed through the governance and contract management. By way of examples:

- IT Strategy is defining what an exit of the current arrangements could look like, for example moving from an outsourced offering to a multisource, cloud-based delivery of IT services.
- Internal review of the Customer Support model which includes Business Support (Administration) and immediate improvements to processes.
- Whole Council Design projects enable new and different ways of delivering front and back office services. For example, The “Right Service, Right Place” project is introducing new IT capabilities that will enable digitalisation of customer transactions and the “Corporate Systems replacement” project will seek to change much of the underlying back office technology, in effect enabling digitalisation of internal customer transactions. It is anticipated that such projects will have a significant impact on the existing arrangements and front line capability such as the Customer Service Centre.
- Together, the Council and Capita are investigating the use of new technology solutions such as robotic automation, machine learning, and artificial intelligence to make service delivery more effective and efficient.

7 Implications

- 7.1 There are no consultation, Crime and Disorder Act or Human Rights Act implications arising directly from this report as it is for information.

8 Risk Management

- 8.1 In line with the County Council’s approach to risk management there are exit plans in place across the contracts in accordance with the relevant contract schedules. Their primary objective is to ensure the orderly transition of the Services from Capita to the County Council and / or any Replacement Service Provider in the event of termination and/ or for any unforeseen circumstances.
- 8.2 These plans address a number of areas including overarching implications, service specific operational activities, assets, people, knowledge transfer, re-tendering, change freezes, and financial considerations. They are reviewed annually.
- 8.3 Alongside these plans, in light of the potential impacts arising from Brexit to the supply chain, the Business Continuity Plans which are in place have also been revisited. These cover the main areas of focus including retention of staff, some medium term implication for recruitment, as well as potential volume increase in activities primarily carried out in the Customer Service Centre and Business Services, however the operations are well placed to track any fluctuations and respond proactively.

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Appendix A List of services

Appendix B Operational Performance Data

Background documents

None