

Strategic partnership contracts, such as Barnet's planned Development and Regulatory Services and New Support and Customer Services Organisation contracts, have a poor performance record.

Nationally, 25% of 44 contracts have either been terminated, reduced in scope with services and staff returned in-house, or experienced major problems (European Services Strategy Unit, 2011).

Terminated and reduced strategic partnership contracts

Authority	Contractor	Reasons for termination/reduction
Terminated contracts		
Bedfordshire County Council	HBS Business Services	Terminated contract in 2005 four years into a 12-year contract after failure to achieve key deliverables and poor performance. Services and over 500 staff returned to in-house provision.
West Berkshire Council	Amey plc	Terminated 10-year contract with Amey Group in 2005 after three years because of poor performance.
Redcar & Cleveland Council	Liberata	Following a 'strategic review of services' HR and Payroll, Finance and Accounting, ICT, Public Access and Business support brought back in-house in September 2006 after only 3 years of the 10-year Liberata contract.
Sefton MBC	Capita Group	Failure to achieve planned savings in £70m contract for architectural, engineering, property and highway services which commenced October 2008. Council agreed to terminate contract in September 2013 (Cabinet Meeting, 17 November, 2011)
Essex County Council	BT	The 10-year contract commenced 2002 but in January 2009 the Council served BT with a notice of material breach of contract. Council spokeswoman said: "We decided it wasn't value for money and we weren't getting the level of service we required"(Financial Times)

At least 13 other local authorities have considered a strategic partnership, in some cases had selected preferred bidders, but decided not to outsource.

Significantly reduced contracts		
Rochdale MBC	Mouchel plc	Property and highways services returned to in-house provision in early 2012 following review of contract in 2011 and termination of contract. Agilisys element continuing but under review.
Swansea City Council	Capgemini	£83m ICT contract with Capgemini. Phase 1 savings reduced from £26m to £6m and Phase 2 abandoned.
Somerset CC	IBM	Key services and 160 staff transferred back to Council in 2012, JVC suffered heavy losses, poor performance record, Southwest One started legal action against Council over procurement payments.
Failure to achieve savings – three examples		
Suffolk County Council:	BT	Original cost of the contract was £301m, but by 2010 it had soared to £427m.
Somerset CC	IBM	Delivered only £6m of the £195m promised savings half way through the 10-year contract.
Liverpool City Council	BT	Council audit found £19m overcharging, could not verify BT investment, projected big savings with in-house provision. BT agreed reduced costs for rest of contract.

Barnet Council's poor track record managing contracts

The Council has a poor procurement and contract track record. So how can the Council manage contracts that are up to 50 times the size of previous contracts?

The Council's track record includes:

- The £10.3m additional cost of the **Catalyst care home contract** plus £100,000 legal and management costs incurred in the renegotiation of the contract.
- **Fremantle Trust** drastically reduced the terms and conditions of staff in care homes; legionella in three care homes in 2011;
- The £12m **Aerodrome Road Bridge replacement contract** almost doubled to £23m;
- The Council spent £1.36m without a contract with **MetPro Rapid Response**, which "...failed to comply with...Financial Regulations, exposing the Council to significant reputational and financial risks" (London Borough of Barnet, 2011).

- The **SAP (Systems, Applications and Products) project** to modernise the control of payments and purchasing was initially estimated to cost £8m in 2006, but costs spiraled to £25m and many of the promised benefits of automation have not materialized;
- A loss of £1.4m to the Council's pension fund because it failed to notice that the bond for **Connaught Partnership** had expired before it went into liquidation. The Receivers, KPMG, confirmed that unsecured creditors would receive less than one penny in the pound (London Borough of Barnet, 2011c).
- The council is considering terminating the **Greenwich Leisure Ltd (GLL)** contract because the "*...planned reductions [£1.2m] to the revenue budgets for 2011/12 and 2012/13 are not achievable due to the contract management fees payable to GLL*" (London Borough of Barnet, 2011).
- These failures were a result of a weak client side, poor contract management and failure to monitor contracts; inadequately resourced internal audit and assurance; a lack of recognition of the risks of outsourcing; and ineffective Oversight and Scrutiny and its ability to challenge.

The potential consequences for the Council

- **Financial** –Bedfordshire had to pay HBS £6.75m to terminate the contract in 2005. Somerset County Council has considered terminating the contract with IBM, but were informed it would cost £15m. BT claimed contract termination would cost Liverpool City Council £17.5m.
- **Service delivery** –disruption to service delivery, delays for service users, internal reorganisation for staff at additional cost.
- **Reputational**–loss of confidence by external suppliers resulting in higher contract prices for other goods and services.

Why would Barnet Council sign a contract with a 25% risk that they would have to terminate the contract, reduce its scope and transfer services and staff in-house, or suffer major problems such as poor performance, failure to achieve planned savings, lack of investment and failure to meet income generation targets?

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