

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
SUBJECT:	CAPITA PROPERTY SERVICES PERFORMANCE REVIEW
DATE OF DECISION:	15 DECEMBER 2011
REPORT OF:	PROPERTY, PROCUREMENT AND CONTRACT MANAGEMENT
STATEMENT OF CONFIDENTIALITY	
None	

BRIEF SUMMARY

This Committee received a report in April 2011 on benchmarking results for the Strategic Services Partnership with Capita. The report identified that performance in Capita Property Services was poor and client satisfaction was below the mean. This report provides the Overview and Scrutiny Management Committee (OSMC) with an update on the performance achieved by Capita Business Services Ltd in the provision of property related services within the Strategic Services Partnership following changes made by Capita Property Services.

RECOMMENDATIONS:

- (i) To note and comment on the report.

REASONS FOR REPORT RECOMMENDATIONS

1. To respond to a request from the OSMC at its meeting in April 2011.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The scope for alternative options for service delivery is limited by the terms and conditions of the strategic partnership. No further options are considered in this report.

DETAIL (Including consultation carried out)

3. During the financial year 2010/2011 the number and range of issues that arose between service departments and Capita Property Services increased. A significant number of these were escalated within the dispute resolution procedure to the highest levels within the partnership. As a result the perception within the service areas and key stakeholders within the Council of the performance of the property service gave rise to a number of areas of concern. These are detailed below.

4. Management of project timescales on a number of major/critical projects:

Capita are monitored on specific stages of their service delivery within agreed timescales under a key performance indicator. Last year Capita achieved 84%, or 21 out of 25 projects completed within 5% of the agreed timescales. They have reported that they are currently forecasting completion of all monitored projects on target this year, although they are yet to provide all of the data due to the transfer of information to PM Connect.

This indicates some improvement. However, delays that have occurred in some key projects during the construction stages, where Capita work with the Council's building contractors. Whilst Capita are required to manage contractors to minimise the Council's risk they cannot be held directly

responsible for the performance of those contractors or their suppliers. The four projects identified below provide examples of the reasons for project delays.

- Mercury abatement works at the Crematorium for Environment

The contractor challenged SCC contract terms and conditions during the tender evaluation. As the contractor is one of only two or three capable of providing the required works and was the only bidder to submit a valid tender the tender award was delayed during protracted negotiations. Capita were unable to progress the award process without working with SCC Legal Services and dealing with contentious contract amendments.

- Bitterne Park 6th Form for Children's Services

The early stages of construction work identified errors and omissions in the tender documents that resulted in redesign work and contract variations to protect the Council from claims from neighbouring properties. It is argued that both these issues should have been identified by Capita in the design stages of the project.

- Freemantle School additional places

The construction start date was delayed due to an error in the foundation designed by Capita.

- Manston court refurbishment for Decent Homes

The completion of the construction work was delayed when Capita failed to progress the implementation of a client variation. This resulted in additional client costs due to the delay.

Transferring Property Services projects to PM Connect has enabled more effective management of projects. An area of this system has been customised specifically for Property Services projects making it easier to access information.

A process has been developed since April 2011 that has allowed us to monitor any changes to projects closely, make a decision whether or not we should allow the change to affect Capita's performance under KPIs. Through this process we are now able to monitor Capita's management of projects and ensure that action is taken in relation to poor management.

5. **Compliance reporting on the Councils property related health and safety responsibilities:**

Capita management of statutory compliance testing and inspection of the Council's property was subject to a full review as key performance indicator results led to concerns over the quality of the reporting arrangements and gaps in the programme of testing.

Since April 2011 the council has worked with Capita to develop a range of improvements to the procedures. The service is now reported within a structured web based database affording access for key individuals to obtain up to date information on the status of all properties and access all relevant testing certification.

This system is proving to be much more effective in the management of Health

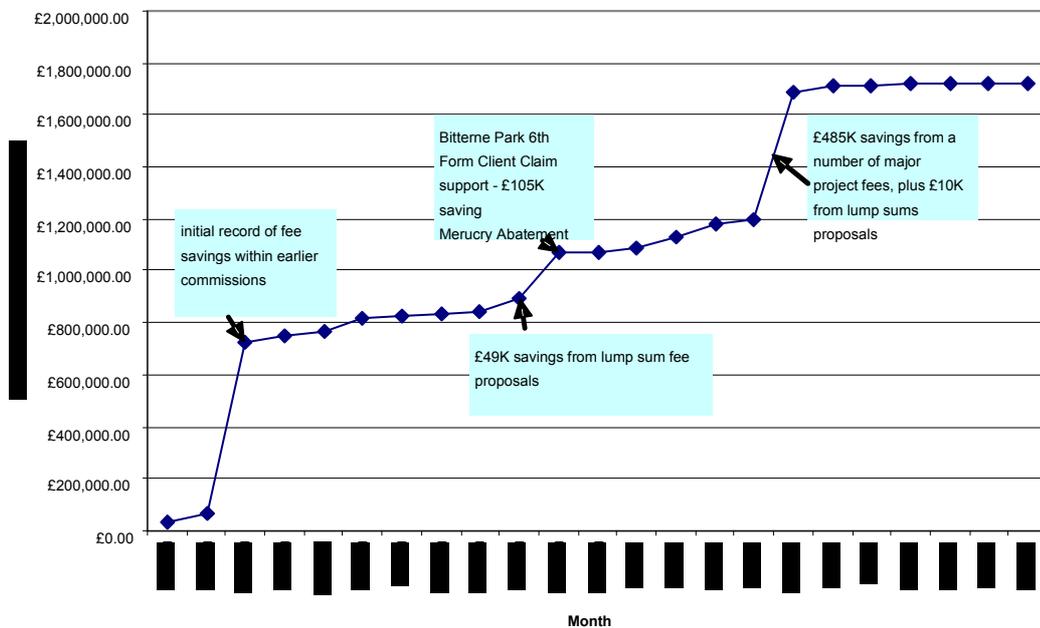
and Safety compliance and Capita are demonstrating on a regular basis that they are minimising the number of gaps. They are doing this by using the system to help manage contractors in a way that has increased their reliability, consistency and feedback of information into the system.

6. Poor value for money due to high fees: A number of issues highlighted concerns within service areas over the fees charged by Capita.

Disputes over fees have formed a very high proportion of the Property Services issues. The cause of many of the issues has been attributed to:

- A lack of clarity when fees have been proposed by Capita;
- Differing interpretation of the fee tables in the contract by discrete business units operating within the Capita office;
- Unrealistic SCC service area expectations.

Cumulative monthly fee savings January 2010- November 2011



The graph indicates the level of savings achieved by the Client Agency since the monitoring of Capita fee proposals. The trend suggests that there has been some improvement in the situation. The points below may be a contributory factor in any improvement.

- Prior to April 2011 limited progress had been made in implementing a series of service improvement actions that had previously addressed this.
- Capita had not developed a common approach to advising service areas of the impact on fee costs that result from client changes to service requirements or project variations. Since April 2011 a suitable template has been developed with Capita. This has assisted in resolving some aspects of the client's fee concerns. Further improvements could be achieved by wider use across the Capita Property Service team.
- Since April the commercial direction provided by senior management within Capita has introduced a new more client focused approach setting service delivery as a priority rather than increased fee income.

SCC Clients need to be more aware of what is covered by retained services and more challenging when presented with fee proposals for services that are not required.

7. Poor reactive maintenance of school buildings:

Very little effective measurement on customer satisfaction with reactive repairs has been done in the past, but in the last 12 months Capita have been reporting on the satisfaction of customers following the completion of repairs. This has driven improvements to the service and we have seen customer satisfaction rise by 11.4%, from 78.1% to 89.5% in this service.

From the start of the financial year we have been measuring the time taken for contractors to complete repairs. This is currently limited to repairs that are undertaken by organisations other than BCS, although negotiations are in place to ensure full coverage by the start of next year. Since measuring this aspect of performance, we have seen an increase in the number of repairs done within SLA times.

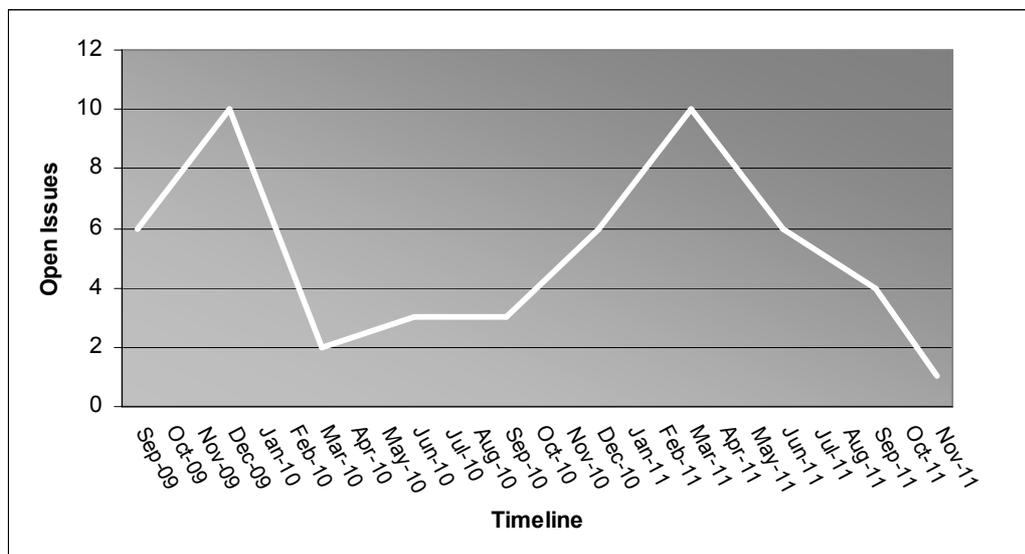
Due to schools opting out of the Fair Funding service level agreement a recurring problem has been the difficulty of managing the reducing repairs and maintenance budget. This has led to difficult decisions regarding prioritising expenditure and a perception that Capita are responsible for the poor maintenance of the schools.

8. Dispute management:

The issues log currently records one outstanding issue (relating to additional costs arising from delays in the completion of Manston Court). All other issues have been addressed during the last six months following direct management intervention by senior operational and commercial Capita management in April 2011.

Capita have also re-introduced planned client engagement, with senior managers holding regular meetings with key contacts in many of the service areas.

The chart plots the number of issues that were unresolved at level 2 or above on the issues log since September 2009.



9. **Quality of Professional Services:** A number of issues have related to the quality of the professional services received from Capita.
- Service errors were escalated to issues due to a lack of willingness on the part of Capita to accept responsibility for them and take corrective actions. Since April 2011 the senior management direction has emphasised a focus on service delivery and over the past six months there has been evidence of improvement.
 - Capita Property Services staff did not fully understand the service they are required to provide under retainers:
 - Capita did not take professional ownership of the client relationship. This has since been the subject of an action plan to improve client engagement with regular meetings at senior level.
 - SCC clients should be prepared to challenge Capita on the quality of the services provided.

10. **Key Performance Indicator:**

The services provided by Capita Property Services are monitored by a selection of indicators. The reporting by Capita of their performance during the first three years of the partnership was not supported by robust assurance data and the results were often obtained immediately prior to reporting to the Council, from data that had not been the subject of any form of effective internal monitoring. The results that were achieved were such that service credits were imposed as set out below:

KPI reporting period	Approx value of Service Credit
2008/2009	£400,000
2009/2010	£80,000
2010/2011	£80,000

Over the last year a system has been developed and fully implemented where Capita provide regular and comprehensive assurance reports for KPIs through SharePoint, which are then monitored by Client. Regular monthly meetings take place between Capita and the Client to discuss all of the data submissions and any associated performance issues.

A performance and assurance report has been produced each month from the start of this financial year that is delivered to the Head of Property Services and Commercial Director for Capita Property Services in a performance assurance meeting, and the Partnership Operations Group. In these meetings any issues around KPIs are discussed and where possible, resolved. A RAG status based system has been developed to indicate both the performance and assurance status of any given KPI. Both performance and assurance has improved since implementation of the approach.

IMPROVEMENT STRATEGIES RELATED TO THE ABOVE

11. **Management of Staff Changes:**
Strategic

In June 2011 there were changes to the management of Southampton Property Team. A new position of Business Director (Liane Sheppard) replaced the role of Operations Director. This new post has resulted in the

following changes to the management and operation of the Southampton Property Team:

- Empowerment of Senior Managers (at Associate Director level);
- Early resolution of issues;
- Improved communications, internally and with service area clients.

A new Commercial Director also joined the team earlier this year to ensure progress is achieved with commercial issues, finding solutions, and improving communications with service area clients.

The Business Director has also been attending Economic Development DMT meetings to ensure that communications are maintained both ways, issues raised and initiatives identified.

12. **Management of Staff Changes:**

Operational

Key members of the Mechanical and Electrical Engineering Team have left the business in the past 6 months and a new structure has been put in place, with new individuals recruited including a Director, and an Associate Facilities Manager with particular responsibilities for the Repairs and Maintenance business. Team leaders have been empowered and more people brought in to ensure that managers manage.

13. **Professional competence improvements and quality assurance:**

The focus of recent professional development training has been in the areas of Environmental Awareness and Fire Risk Assessment, Statutory Compliance and Health and Safety. A joint training opportunity promoting awareness of the correct Health and Safety culture has been offered to relevant SCC staff.

A number of recent appointments have strengthened the core competencies available to support service delivery in key areas of building surveying, health & safety advice and statutory testing and inspection compliance.

A new local apprentice in the civil engineering team has been appointed as part of a new community benefits initiative lead by Liane Sheppard.

14. Capita Property Services achieved the ISO 9001 standard in June 2011 and 14001 certification (Environmental) in October 2011. The auditor was particularly impressed with the evidence of project documents, the Business Management System (BMS) in general and the professionalism of the staff interviewed. No non conformities or opportunities for improvement were identified. In November 2011, the ISO 18001(Health and Safety) standard was achieved.

15. **SUMMARY**

The performance issues in the service provision by Capita Property Services have led to a significant amount of senior management time and resources within the partnership being directed to the development of a range of service improvement strategies.

There is evidence to suggest that improvements have been achieved following a number of changes implemented since the beginning of 2011.

More time is able to be committed to implementing service improvements in areas such as fee agreements and service engagement due to the reduction in time spent in dispute escalation / resolution. This is the result of a new emphasis on achieving improvements in these areas promoted by the Directors appointed earlier this year.

More time is able to be committed to implementing service improvements in areas such as fee agreements and service engagement due to the reduction in time spent in dispute escalation / resolution. This is the result of a new emphasis on achieving improvements in these areas promoted by the Directors appointed earlier this year.

RESOURCE IMPLICATIONS

Capital/Revenue

16. None

Property/Other

17. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

18. The duty to undertake overview and scrutiny is set out in Section 21 of the Local Government Act 2000 and the Local Government and Public Involvement in Health Act 2007.

Other Legal Implications:

19. None.

POLICY FRAMEWORK IMPLICATIONS

20. None.

AUTHOR:	Name:	Nigel Mullan	Tel:	023 8083 4259
	E-mail:	nigel.mullan@southampton.gov.uk		

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report.
------------------------------------	---

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	None
----	------

Documents In Members' Rooms

	None
--	------

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
--	----

Other Background Documents

Integrated Impact Assessment and 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)
------------------------------	--

	None	
--	------	--