

NSCSO Community Dossier

Submitted to Budget Performance
Overview and Scrutiny Committee
Thursday 29 November 2012



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The following questions were gathered by Barnet Alliance on behalf of residents and key stakeholders in response to the proposal TO hand over key council services to CAPITA.

Financial benefits

1. Regarding Capita's guarantee of £70.1 million savings: what binding form does this guarantee take, what are the precise words used in the contract, and what caveats are there?
2. What amount of savings is guaranteed for each of the different services being contracted?
3. Will the £70.1 million savings be made pro rata over the 10- years – i.e. £7.01 million a year,– and if not, what are the guaranteed year-by-year savings in total and for each of the services?
4. Is the guarantee of savings stated in the contract as an absolute figure of £70.1 million or is it a percentage of the service budgets, and if the latter, how can you know precisely what the budgets will be for each service so many years in advance, or are these figures just guesstimates?
5. Given that the value of the pound changes over time, and that £1 in 2010 was worth considerably less than in 2002, how can the Committee be certain that £7 million in year 5, 6, 7, 8, 9 or 10 will have the same value as £7 million today?
6. What binding form does Capita's guarantee of £46.9 million savings in procurement take, what are the precise words in the contract and what caveats are there?
7. Will the £46.9 million procurement savings be made pro rata over the 10- years – i.e. £4.69 million a year,– and if not, what are the guaranteed year-by-year savings?
8. Precisely how much of the £46.9 million procurement savings will be made in each of the services each year?
9. How can Capita guarantee the amount of savings on procurements years in the future when neither costs nor the value of the pound cannot be known that far in advance?

10. What are the specific areas in which the Council currently contracts from third parties, what are the current costs for each product or service in each of those areas, and what are the savings that will be made on each one each year for 10 years?
11. What binding form does Capita's guarantee of increased Council Tax collection take, and what caveats are there? Will it, for example, pay any shortfall?
12. By what percentage will Capita increase Council Tax collection, and will this increase be achieved in the first year and maintained for 10 years – and, if not, by what percentage will the increase be achieved in each year?
13. Is Capita guaranteeing a percentage increase or specifically an increase of £8.4 million?
14. If the rate of unemployment increases and more people in the borough are not liable for council tax, Capita will not necessarily collect an additional £8.4 million in the contract period, so how can you use this specific as the basis for the total savings to be achieved
15. If the increase in the collection of council tax that Capita makes is pro-rated over 10 years, that would be £840,000 a year, but what will the value of the pound be in 5 years' time, or in 10 years' time?
16. Regarding the statement 'the guaranteed cashable financial benefit from entering into a partnership with Capita would be £125.4m over a 10 year period', how is that guaranteed, what caveats are there, how much of that money will be delivered in each of the 10 years, and precisely what happens if those savings are not delivered?
17. Regarding the phrase 'entering into a partnership with Capita', is the Council entering a partnership or is it commissioning services?
18. Regarding the phrase 'approximately £13.6m revenue investment in areas *such as* [my italics] information technology (computer hardware and software), and customer services', what are the specific areas and how much money is specified as an investment in each?
19. We have seen that the word 'approximately' in front of a figure for the budget for consultants allows a variance of 100%, so is it possible that the

‘approximately £13.6 million investment in IT *et al* could turn out to be only £6 million?

20. Will the £13.6 million investment be made at the commencement of the contract and if not, how much will be invested over what period of time?
21. Will Capita’s investment of £13.6 million come out of its current cash holdings or will it have to borrow the money? If it does have to borrow this sum, wouldn’t the Council, as a government body, be able to borrow the same sum on better terms and therefore at better value?
22. If Capita invests in new IT equipment, it owns that equipment, so please explain why Barnet taxpayers should be paying to support Capita’s investment in its own company rather than investing that money in equipment that would be owned by the LBB?
23. Technology moves very quickly, so hardware is improved and software is updated every year, and it is likely that that all the IT equipment will need replacing every 3-5 years. How much money, in addition to the £13.6 million ‘investment’ is specifically allocated to upgrading and renewing IT hardware and software each year?
24. How can Capita or the committee know if the £13.6 million investment will be sufficient to operate the highest quality service over 10 years, what tests are there in the contract to guarantee this, and what provisions are there in the contract if this sum is shown to be inadequate at any time?

Benefits for residents

25. Precisely how will the online ‘portal account’ work? Are the procedures and mechanisms for this portal account stated in detail in the contract?
26. Exactly how many Barnet residents have– not are assumed to have – computers, how many have broadband connections and know how to use online accounts, and how many do not; and how do you know?
27. People can choose whether or not to have an online account with their bank, utilities suppliers and stores. Has the Committee or Capita consulted all the residents of Barnet to see whether or not they want to have an online account with Capita, and will it be a matter of choice or will people be pressured into having something they do not want?

28. Many people will feel uncomfortable with the idea that their personal and financial information will be available to a private company not of their choosing. Precisely what measures will Capita put in place to guarantee that information in each resident's portal account will be secure and not misused, and how will the Council monitor this?
29. How will residents who do not have computers and broadband manage their interactions with the Council's services, and what impact will this as well as the choice of some people not to use online accounts have on Capita's planned improved efficiency
30. In the statement 'the NSCSO supplier will advocate for vulnerable people to ensure that their requests are responded to without repeat contacts being needed' why is the supplier not identified as Capita?
31. The original business plan stipulated that the customer services call centre would be an interactive voice response system, better known as a push-button menu system. How will vulnerable people be able to reach a person to help them if they cannot cope with this system?
32. In the statement 'the NSCSO supplier will advocate for vulnerable people to ensure that their requests are responded to without repeat contacts being needed' what precisely is meant by 'advocate for'? Does Capita guarantee – and, if so, exactly how – that any request, question or submission by a vulnerable person will be resolved– not merely responded to – in a manner satisfactory to that person more efficiently and faster than for the rest of the population?
33. How will Capita determine whether or not a person is vulnerable if they are reporting, enquiring or complaining about a service that does not immediately reveal their vulnerability?
34. If 'the NSCSO supplier will advocate for vulnerable people to ensure that their requests are responded to without repeat contacts being needed', the clear implication is that requests from people who are not categorized as vulnerable **will** not be responded to or resolved without repeat contacts being needed, so how many times will non-vulnerable people have to chase the provider for resolution to requests, complaints or submissions?
35. If vulnerable people are given guarantees of special treatment in responding to their contact with a service provider, that indicates that other residents are being treated differently, in an unequal manner. Isn't Capita required to provide the same quality service to all residents?

36. Precisely how will Capita achieve 'better coordination across the public sector, so that people can easily access support from all appropriate providers when necessary' and are there any definitions of or caveats about 'when necessary'?
37. How will Capita provide 'a more sophisticated analysis of the information gathered by the Council', what information does this refer to, what is the analysis 'more sophisticated' than and how will that comparison be assessed?
38. In what ways precisely will the analysis of the information allow 'for a more detailed understanding of the needs of individuals and specific groups' and in what ways does Capita propose this understanding will be used to tailor services?
39. What is meant by 'significant investment' in objective terms?
40. Is best-in-class technology always necessary and how can the Committee be sure that money is not being spent on technology that exceeds the demands of the job for which it is being purchased?
41. What is the 'significant investment in ... staff capability', i.e. how much will be spent and on what, and what, specifically, is it intended to achieve in terms of staff capability?

Benefits for Council staff

42. Do these benefits refer to Council staff who are TUPEd to Capita, to those who are made redundant because they cannot move to a new far-flung location, or to those who remain employed by the Council?
43. Can you itemize the 'investment in more efficient tools, data and processes, learning and development'?
44. Can you explain how the 'tools, data and processes, learning and development' will be 'more efficient', and what they will be more efficient than?
45. Can you explain how data can be efficient, let alone more efficient?
46. Can you explain what 'a contractual commitment to maintain inherited service levels and increase staff satisfaction with the services provided to other areas of the Council for services such as finance and HR' actually means in plain English?

47. What is the exact nature of the 'contractual commitment to maintain inherited service levels', including the time frame, and what caveats are there?
48. What provisions are there in the contract for changes to staffing levels if a specific service requires more or fewer staff, over the 10-year period, and who does the contract state will determine the need for this change?
49. How, when and by whom will current staff satisfaction be defined and measured so that there is a way to determine whether or not it has been increased?
50. According to the contract, how will staff satisfaction be increased and over what period of time, and who will judge whether or not it has been increased and by how much?
51. What are the provisions in the contract if staff report no increase in satisfaction?

Benefits for members

52. What 'directly relevant information about their wards' will members receive, and how will this differ from information that is available to them now?
53. How will the 'directly relevant information and ... wider summary of Borough-wide trends' be produced, and what will it include other than statistical summaries of call logs?
54. If a benefit of the contract is that 'Cabinet members will be able to monitor performance specific to their portfolios', can you explain what they have been doing until now? And will this benefit disappear if – hopefully, when – the Council reverts to the committee system?
55. How does the contract specify the nature of the 'Evidence of progress against strategic corporate objectives, projects and financial plans [that] will be available to support scrutiny and governance processes', and how does this differ from the other information being supplied referred to in the same paragraph?
56. In what ways will the IS service be 'more robust and resilient' and what technology do members need to do their work other than computers that allow them to read documents and send and receive e-mail?
57. since it would seem that the statement 'Full policy and budgetary control and democratic oversight will be maintained' must refer to the Council, as a private company has no democratic oversight, please explain what policy the Council will maintain control of, since the only policy is to hand over the running of the services to Capita; how the Council can maintain

‘full ... budgetary control’ when Capita will be running the services and therefore their budgets, and how this will be ensured and monitored; and what the Council will have ‘democratic oversight’ of and how this differs from whatever ‘democratic oversight’ the Council currently has?

Benefits for commissioners

58. Who will own the ‘data gathering and storage platforms required to undertake the complex analysis required to develop policy and commissioning strategies’?
59. Will Capita make the £2.3 million investment in data gathering and storage platforms out of its cash reserves or will it have to borrow the money, and if the latter is true, couldn’t the Council have borrowed this sum at better rates by virtue of being a government body?
60. Over what period of time with the £2.3 million investment be made, how long will it take to have the data gathering and storage platforms fully operational, and what money is earmarked for maintaining and updating this equipment over the 10-year period?
61. If £2.3 million of data gathering and storage platforms are necessary to develop policy and commissioning strategies, can you explain how the One Barnet policy and associated strategies have been developed and why they should not be considered inadequate?
62. Can you explain whether ‘a team of specialists will be provided to analyse the data as required by commissioners’ means that data will be analysed only when the commissioners request it rather than on a regular schedule? What caveats are there to the commissioner’s requests? And is the term ‘commissioners’ stipulated in the contract as synonymous with ‘Barnet Council’?

Benefits for schools

63. Does ‘Schools will benefit from a dedicated account manager’ mean there will be a single manager for all the schools in the borough or that each school will have its own accounts manager?
64. Will the web-based schools portal mean information about each school is available to all the schools or that measures will be put into place to guarantee that information about each school is confidential to that school, and if the latter, what measures will those be?

65. In the statement that the schools 'will also be offered a 10% reduction on price from day one' what does 'the price' refer to? And if you offer a discount from day one, how is that any different from saying that the price is simply the lower figure?

Benefits for community organisations

66. Is the £500,000 Community Development Fund a single lump sum to be used as soon as the contract starts or is it prorated over 10 years?
67. How much of the £500,000 Community Development Fund will be spent each year on mentoring, how many people will be mentored, how will they be chosen, what will they be mentored in, and how will they be mentored?
68. How much of the £500,000 Community Development Fund will be spent each year on training courses, how many courses will there be each year, what will these courses train people to do, how long will each course last, how many people will be trained and how will they be chosen?
69. How much of the £500,000 Community Development Fund will be spent each year on forums, what is their purpose, for whom are they intended, how often will they be held, how long will they last, and who will run them?
70. How does spending money on 'providing mentoring, training courses and forums' for Barnet residents build Capita's 'capacity and capability to deliver services'?
71. What data will the 'online Community Facilities Database' contain, how will that be useful to the residents of Barnet who have the equipment and ability to access it, and how will it serve those residents of Barnet who do not have the equipment and ability to access it?
72. When and to whom will the supplier provide 'a Community Asset strategy', what is the aim of this strategy, and on what will this strategy be based?

Benefits for the local economy

73. What specific measures are included in the 'programme for helping stalled and stagnated businesses within the Borough' and what is the budget and timeframe associated with each of them?
74. Regarding the statement that 'Capita's confidence that they can achieve

an increase in business sustainability is supported by a performance measure within the contract which will have a proportion of their fee at risk', how does the contract define and explain 'business sustainability', does it apply to individual businesses, to a specified group of business or generally to all businesses in the borough?

- 75. What is the target level of increase in business sustainability and over what period of time, what is performance measure given in the contract, and who will assess whether the targets have been met and how often will they do it? What happens in case of a dispute over the assessment?
- 76. What proportion of Capita's fee will be at risk if they fail to meet targets for increase in business sustainability and what caveats apply?

Benefits for transferring staff

- 77. For how long is the preferred bidder committed 'to funding existing professional accreditations that need to be renewed and maintained' and for which members of staff? Will this funding extend to existing staff who attain new professional accreditations, and if not, isn't that a discouragement to staff willing to engage in Continued Professional Development?
- 78. Given that the footnote to the heading states 'These [benefits] are in addition to employee rights under TUPE and the additional commitments relating to terms and conditions that the Council guaranteed to staff', what is the point of writing 'All transferring staff will benefit from a preservation of Terms and Conditions, including ongoing access to their current pension scheme' other than to try to take credit for rights guaranteed by TUPE?
- 79. How long (number of words or pages) were each of the Final Tenders from BT and Capita?
- 80. Who performed the evaluation of the Final Tenders from BT and Capita, and how long did it take?
- 81. How was it possible to perform this evaluation and determine a preferred bidder by 22 November (the date of the press release) when the report states that '[O]n **25 November 2012** [my emphasis] the competitive dialogue procurement process concluded with the submission of Final Tenders from BT and Capita'?

82. In what ways and to what extent is the Capita final tender superior to the BT final tender?
83. What would be possible reasons that the Council could not 'finalise a deal with Capita'?
84. If the Council could not finalise a deal with Capita, would it need to do any renegotiating with BT?
85. If the Council could not finalise a deal with Capita, and therefore would have to scrutinize the contract from BT, how long would this take and how would it affect the current deadline for implementation, i.e. would there be a reasonable delay or would there be a danger of rushing into a deal unsafely?
86. If the Council followed commonsense and the will of the residents and chose not to complete this risky procurement process, can it
- provide the evidence to prove that it had examined every alternative and still would need to 'make significant cuts to customer and support services in 2013/14 in order to meet immediate budget pressures', what those significant cuts would be, and to which services?
 - explain why it should not or could not 'attempt to replicate the investment, technology and other solutions being proposed by Capita in order to drive out the future savings required' and 'at the same time attempt to maintain service levels in existing areas and develop further its own analytical capability to shape future commissioning' when the ability to do so is assumed as part of the competence required for the job they hold?
87. Is the reason the Council does not currently have sufficient capacity or expertise to guarantee that all of this can be achieved concurrently' because it has been getting rid of experienced staff and spending many millions of pounds on temporary external consultants who contribute nothing to the long-term capability of the Council?

Employment Questions

88. Does CAPITA have experience of large scale TUPE transfer? If yes please supply details of the following for each TUPE transfer
- Name of organisation (client)
 - Date of transfer
 - Numbers of staff transferred
 - Numbers of staff still on TUPE transferred terms and conditions

- How many staff have been made redundant during the life of the contract
- Numbers of staff given new contracts on this contract
- Number of staff in pension scheme at the time of transfer
- Number of staff currently in the pension scheme
- Number of new starters allowed into the Pension scheme
- How many staff benefited from career progression?
- How many of the contracts were terminated early

Location of services

89. If CAPITA have had to change the location of any services for any of the above TUPE transfers please provide details of any changes for each of their contracts

- Name of organisation (client)
- Date of transfer
- Number of staff transferring
- Number of staff made redundant
- Numbers of staff redeployed
- Number of staff remaining on TUPE terms and conditions
- Number of new starters on the contract

Sub contracting services

90. Does CAPITA have experience of sub contracting for any of the above TUPE transfers?

If yes, please answer the following for each TUPE transfer

- Name of the organisation (client)
- Name sub contractor
- Number of staff transferred to sub contractor
- Numbers of staff redeployed by sub contractor
- Number of staff made redundant by sub contractor
- Number of staff remaining on TUPE terms and conditions with the subcontractor
- Number of new starters with the sub contractor allowed in to the pension scheme
- How many of the sub contracts were terminated early
- How many staff benefited from career progression?

91. Are CAPITA are intending to use subcontractors on the Barnet contract please provide responses to the following questions.

- Do CAPITA intend to 'offshore' any aspect of the service?
- Do CAPITA have a policy on the use of local supply chains?
- Will any core service elements be sub-contracted? If so what proportion of the work will be sub-contracted?
- Can CAPITA confirm that your sub-contractors will act and apply the policy positions set out in your answers to these questions?
- If not, how will the sub-contractor's employment practice differ from CAPITA's?

Transfer of service out of Barnet

92. Are Capita currently running any Revenues and Benefits contracts from Blackburn or Darwen?
- If so, for which local authorities?
 - Do any of them use Civica's Open Revenues system?
93. If not and given that it is unlikely that many, if any, existing staff will choose to relocate to Blackburn, describe the plan for achieving successful mobilisation of a new 100 plus workforce, with all the necessary skills, experience and systems knowledge, within the 7 month timescale indicated.
94. Has Capita ever undertaken the transfer of an entire Revenues and Benefits operation from a local authority setting to a site over 100 miles away? If so, for which local authority?
95. There is concern that considerable key knowledge held by current staff about the service and its history will be lost when those staff do not move to Blackburn/Darwen. This presents serious risks to business continuity, revenue collection, customer service, effective debt recovery, etc. How will this be mitigated?
96. There is a high risk that a significant number of existing staff will now start seeking alternative employment and leave Barnet before the contract start date. This would leave the service under skilled during the interim period and could lead to significant reductions in performance and revenue collected (A 1% drop in the council tax collection rate equals lost revenue of £3.3 million gross per annum)

Contract management concerns

97. There are massive financial and reputational risks for the council if the Revenues and Benefits service does not perform satisfactorily:
- A 1% drop in the council tax collection rate equals lost revenue of £3.3 million gross per annum.
 - Failure to maximise the council tax base due updates not being done in an accurate or timely fashion, discount and exemption entitlements not being effectively policed would significantly reduce Barnet's collectable amount.
 - There is also the risk of losing £260 million per annum Housing Benefit subsidy.

What are the performance measurements that will be used to ensure that Capita are maximising the council's income? Will these be transparent? Where are they published now?

98. Within the Council's client side structure, no Revenues and Benefits Subject Matter Expert roles (SMEs) have yet been advertised. Effective contract monitoring will not be possible without this essential expertise. How is it to be acquired?
99. Of the 203.17 FTE that will be relocated outside Barnet how many individual staff does that represent?
100. With 514.8 FTE current staff establishment and 468.52 FTE to be employed by Capita how many of these staff will be made redundant expressed as FTE and individual staff.
101. How much will the total redundancy cost and who is funding it, Barnet Council or Capita.
102. Capita are making an investment of £8 m in IT infrastructure and software and state that they will be moving away from fixed IT infrastructure to externally hosted and shared platforms. The report states that Barnet will still be able to access the shared platforms owned by Capita at a 'reasonable cost' but how is that defined and how will that work in practice.
103. If the break clause in the lease for Building 4 at NLBP in November 2015 is successfully invoked how many further staff are likely to be relocated out of the borough and if so who will fund that redundancy cost.
104. Given that Capita will take over procurement role, will they still be obliged to publish all the payments over £500?
105. Capita has committed 12% of its annual fee to the achievement of KPI's. Does this mean that if they fail to meet any of the KPI's they will still receive 88% of their annual management fee.
106. Please can you explain what is the deduction cap given that Capita have made 12% of their fee subject to achievement of the KPI's.
107. Please can you explain what the termination point at 8% means. Is it the point at which Barnet can terminate the contract, is it the point that Capita can terminate the contract and why has it been set at 8% when Capita have put 12% of their fee at risk.
108. Where the Council serves an efficiency notice, what mechanisms are in place to ensure that the improvement activities either take place or are effective.

109. Why has external performance benchmarking been limited to only three occasions over the 10 year of the contract. Given that there are nine separate services included within this contract this means that at least six of the nine services will never be subject to external performance benchmarking. Surely this leaves the Council very exposed to the risk of over-charging.
110. The report states on page 43 that Capita will invest up to £20 million in transforming the services. However the summary of investment on page 51 of the report says that it is £13.6 million. Which is correct?
111. Given that in 2011 Capita were achieving a return on Capital employed (ROCE) of 17.2% (20.6% in 2010), this suggests that Capita will need to achieve profits on this contract of at least £2.34 million per annum to satisfy their shareholders on a £13.6 million investment. Have Capita been quizzed on their ROCE requirements, if £2.34 million is more than Capita's annual management fee, where else will they generate profits on this contract. For example will it be on the ad hoc advice for which they have provided daily rates.
112. At point 7.12 page 21 the report states that the Council can voluntarily terminate the contract at 6 months notice. Please can you clarify if this termination can be done where no fault is attributed to the contractor. The clause also states that the contractor would have to be reimbursed for any investment made AND any return the partner would otherwise have made. The clause states that this is usual which I suggest is not correct. Often where the contractor makes an investment they will be reimbursed for the unamortised value of their investment over the remaining period of the contract. It is assumed that they will have recovered any return on their investment whilst the Capital was tied up through their management fee for the duration they provide the service. As currently stated it appears that if the Council were to terminate the contract after two years, not only would the Council have to return all £13.6 million but in addition would have to reimburse Capita the 17.2% ROCE they anticipate over the period of the contract i.e £13.6 million plus management fees of £18.7 million giving a total reimbursement of £32.3 million. Please could you clarify the exact nature of this clause.
113. Given that the Council's own "Graph of Doom" assumes population growth of 14.54% (52,854) between 2012/13 and 2019/20 have the volumetric provisions been set above this growth forecast or is there an in built cost rise in the contract for this forecast growth. The reports states that the threshold for volumes and rises in demand have been set at 10% which suggests that forecast growth alone may trigger price increases.
114. Can you clarify if the Council tax collection target of 98.5% is based on the total annual applicable value rather than a baseline figure at 2012/13. Please can you also clarify what the £840,000 guaranteed additional collection represents as a percentage of overall Council tax and what will

be the overall collection rate percentage including that additional £840,000.

115. Given that the Council officers have been unable to ensure that all contracts are 100% compliant with Council policy what confidence do members have that those officers monitoring the contractor's performance will be able to spot non compliant contracts.
116. Was the managing Agent proposal an option given to BT?
117. Are Councillors being asked to recommend the approval of Capita's proposal including the Managing Agent role or will the Managing Agent role be subject to further scrutiny by Councillors once a business case has been prepared and fully examined in public and awarded separately from the NSCSO contract.
118. Under the change of ownership clause does the Council retain the right to terminate the contract without penalty if they are concerned about the new ownership structure of the contractor? (For example if Capita were acquired by a highly leveraged private equity group).
119. Please can you provide the missing chart regarding remedies available on page 45 of the report?
120. Are members concerned that the price performance mechanism puts a price on failure and that in some circumstances it may be more cost effective for the contractor to make payments under this mechanism rather than delivering satisfactory service.
121. Can you clarify what you mean by the no service no fee principle when the contractor has stated that the maximum level of their management fee that they will put at risk for non performance is 12%.
122. How confident are members that they will be able to exercise their step in rights if so many aspects of the service are operated outside of the borough.
123. Why has the Council automatically built in an inflation clause to the contract when for example, inflation on technology costs may in fact be negative. Are members clear that by automatically building in an inflation clause it will make subsequent Council tax freezes unsustainable.
124. How will sharing of overall returns limit profiteering in projects that are new with no baseline and are cost, not revenue, driven.
125. Given that Capita will have rights to renegotiate contracts with the Council's existing care providers what checks and balances exist to stop Capita squeezing care home providers such that care is affected and/or the care home goes bust.

126. How will resident's rights under the Audit Commission Act be affected. Will residents still be able to inspect contracts entered into and purchases made by Capita on behalf of the Council?
127. Have the audit committee identified what audit rights and responsibilities they have under the new contract?
128. Will the CAFT team still have a role in identifying benefit fraud or will that responsibility pass to the external provider?
129. What audit rights will the Council have over the new procurement function?
130. Will audit look at the contract procedures of the new provider or will audits remit be limited to examining the payment made to the new provider?
131. Will internal audit be expected to travel to the provider's data centres to review procedures?
132. How much thought has been given to the logistics and practicalities of how the internal audit function for these services will take place – if at all?
133. In terms of the new Council structure, have the audit committee examined how they will interact with the new assurance group and with the outsource providers?
134. To what extent have the audit committee been involved in ensuring that the new assurance group will continue to provide the information and reports that the audit committee requires?
135. Will the audit committee be able to ask the outsourcing provider to appear before them to answer specific questions on the financial information they produce?
136. How will Grant Thornton's on-going external audit services be affected?

Savings and financial sustainability

137. Does the Council have the power to terminate the contract on the grounds of poor performance by the contractor, irrespective of Capita's guarantees and in addition to termination in the event of insolvency? (Appendix A).
138. The £46.9m planned procurement savings account for 37.4% of total savings, yet many strategic partnerships, such as Southampton and Somerset, have failed to achieve procurement savings targets. How has the Council verified Capita's savings plan?
139. Strategic partnership contracts, including Capita's, have a poor record in achieving financial savings. Have Members talked to Members in other local authorities with comparable contracts?

140. The NSCSO contract will result in the Council losing direct control over service delivery. It is unique in relying on the dispersal of functions. Are Members confident that the Council's performance management of small contracts will not be repeated in this contract? Can you identify the fundamental changes that have been made to give you that assurance?
141. The lack of disclosure of the governance structures may be significant because it would disclose that the vast majority of Members would be bystanders. Are Members content to have little influence over these services for the next decade?

Risks

142. The Cabinet report has many references to 'contractual protection', which give a misleading message to Members about the quality and continuity of service delivery. Do Members realise that this term gives a misleading picture of contractual relations, bearing in mind that a perfect contract does not exist?
143. The Business Case has the Council as the owner of risk in the case of a 'force majeure event' but this is stated as a "*contractual protection – Capita obligated to mitigate*" in the Cabinet Report. What is the correct situation in terms of responsibility and cost?

Value for Money

Members should ask the following key questions in assessing value for money:

144. Given the 25% failure rate of strategic partnerships nationally and Capita's plan to disperse service delivery around Britain, which imposes additional new risks, how confident are Members that this contract will be successful?
145. The case for the contract relies heavily on financial savings, yet there is little evidence that services will be improved, as opposed to being delivered in a different manner. There are a few add-on initiatives that lack substance. Are Members confident that residents will see a step change in service quality?
146. The Council has evaluated the bids, but has it carried out a rigorous cost benefit analysis to assess the broader economic and social impact of the contract?

Benefits expected

147. Are Members aware that the contract is being justified in terms of financial savings and the public documents make no reference to how the quality of NSCSO services will improved?

148. Are they aware that the benefits to Members are limited to more information and a more robust IS service?

Investment

149. The £13.6m 'initial investment' includes ICT refresh and replacement technology, which would have to take place irrespective of the contract. What is the total planned investment over the contract period for each service area?

Employment and local economy

150. 450 Council jobs (368 full-time equivalents) will be lost in Barnet over the contract period (Table 6.1, Appendix A). The economic multiplier effect means a further 110 jobs will be lost in other services in the local economy. Even allowing for travel to work patterns in London, this will have a big impact on local businesses and jobs in Barnet.
151. Has the Council examined the full effects in the local economy in Barnet?
152. How do the job losses and economic impact square with Capita's programme to help "*...stalled and stagnated businesses within the Borough*" when the effect of the contract is likely to harm local business?(Appendix A).

Growth

153. What is the economic growth component in this contract? (there are no proposals in the public documents).
154. What assurances has the contractor given that new shared services work with partner organisations in Barnet or with other London Boroughs will in fact be carried out in Barnet or north London?

Service transformation

155. How does the contractor plan to engage service users and residents in the 'co-design' of services?
156. Supplementary: What does this mean in practice and how will the Council mediate when there are differences between service users and residents and the contractor?
157. How will staff and trade unions be engaged in the transformation process?

Quality and integration of services

- 158. How will the Council ensure that the contractor delivers a fully integrated service?
- 159. Is it significant that the 'benefits for residents' of the Cabinet Report makes no reference to improving the quality of services?

Democratic accountability and scrutiny

- 160. Appendix A (section 11) states that "*Members' democratic oversight and control of the NSCSO services will be undiminished by entering into this contract*" but how will the contract be governed and be held accountable?
- 161. What role will backbench Members have in governance of the contract?
- 162. How will service users and residents be engaged in governance of the contract?

Contract management and monitoring

- 163. What is the annual cost of the contract monitoring function for NSCSO?
- 164. How will the Council monitor the implementation of equalities and diversity policies in the delivery of services when these are delivered from different locations around Britain?

Equalities and diversity

- 165. How the Council verify that equality and diversity policies are being fully implemented in the delivery of Barnet Council services from locations elsewhere?

Planning and procurement

- 166. Why was the in-house option limited to a 'business as usual' model and failed to draw on the ideas and skills of the staff to prepare an effective alternative?
- 167. Has the full cost of staff time been included in the £2.1m project costs and why is this limited to two lines in Appendix 1 when the Council already knows the bulk of the costs?

Long-term sustainability

- 168. Has the Council considered how it will manage, and what costs could be incurred, in returning dispersed services to Barnet following a contract termination or contractor withdrawal?

Financial Benefits

- 169. The report quantifies 'guaranteed financial benefits'

6.4 The guaranteed financial benefits arising from the Preferred Bidder recommendation include savings on the core transferring services (reduction in expenditure and increases in income), procurement savings on contracting activity across other Council services, and increases in collection of Council Tax. These financial benefits are as follows:

	Total over 10 years	Annual Equivalent Saving
	£m	£m
Savings on Core Transferring Services	70.1	7.01
Procurement Savings	46.9	4.69
Council Tax Collection and General Debt Collection	8.4	0.84

Source (Para 6.4) New Support & Customer Service Organisation: Recommendation for Preferred and Reserved Bidder and Full Business Case; Annex 1

The report does not contain a financial benefits schedule that sets out the 'guaranteed financial benefits' under each heading in each financial year.

What are the 'guaranteed financial benefits' for each service?"

What are the assumed 'core service payments' for each financial year

170. Cost of Investment Section 6 Risks Extract

It is envisaged that Capita will invest up to £20m in transforming the services. This investment will be used to fund a combination of:

- Technology implementation;
- Process re-engineering;
- Change management; and
- Staff redeployment/redundancy costs.

This investment will be made by the NSCSO for the most part in the early years of them partnership and recovered through the core service payments made by the Council.

What element or elements of the proposed investment attracts interest?

What interest rate does it attract?

How does that interest rate compare with the rates available to the London Borough of Barnet?

171. Redundancy Costs

The 'investment' of 'up to £20m' includes staff redeployment/redundancy costs. It is proposed that 61.9 Customer Services staff will be relocated to Darwen in Lancashire; that 109.06 Revenues and Benefits staff will transfer to Blackburn and Bromley and a further 26.21 HR staff will transfer to Banstead/Carlisle/Belfast. Given the locations it is likely that staff will, in practice, be made redundant. The redundancy costs are included within the investment and will be paid for by Barnet through the 'core service payments'

The report does not address the issue of whether Capita may have lost work at any of its centres. For example, is it possible that the Revenue and Benefits work from Barnet replaces other work lost from the Bromley and Blackburn Centres? Given that Universal Credit starts being rolled out nationally from October 2013, it is likely that the volumes being processed in Bromley and Blackburn will start to decline from October 2013. Without the additional Barnet work Capita would need to reduce its staffing levels (with the associated costs of doing so). Is Capita avoiding its own redundancy costs (by increasing work volumes) while Barnet pays for making its own staff redundant?

Capita has recently lost the CRB contract with the Home Office

Capita has lost a flagship contract to manage the Criminal Records Bureau — and some analysts believe the reason is that the company has had it too good for too long.

Kevin Lapwood, at the brokers Seymour Pierce, said: "There's a suspicion that Capita has been earning too high a margin on certain central government contracts."

The Home Office will drop Capita, which has provided IT support to the CRB for more than a decade, in favour of a rival bidder, named by unions as the Indian-owned Tata Consultancy Services, when its £400 million deal expires in March.

The introduction of Universal Credit brings with it the possibility that some HB staff will be made redundant as UC is administered by DWP. LGA are saying that they expect DWP to meet the costs of any redundancies through the new burdens doctrine

Under these arrangements Barnet appears to be **forfeiting** any opportunity to make a claim against the new burdens doctrine.

How does Barnet know that it is not substituting work lost through the impact of Universal Credit enabling Capita to avoid redundancy costs, while making Barnet staff redundant and charging the costs to Barnet taxpayers?

172. Procurement

The proposals say that procurement savings of £4.69m will be secured on contracts of £90m – this represents a saving of just 5.211%. This percentage appears to be lower than that being reported by studies by APSE and others.

For example

UK procure solutions state: “Our experience in helping local authorities work collaboratively to leverage their strengthened buying power helps our customers achieve the lowest costs for products and services, whilst maximising quality. Working with UK procure Sourcing, local authorities and regional groups have already saved between 10 - 50% on the value of contracts with suppliers.

It appears that procurement will be undertaken by Capita through its Southampton operation.

Could the fee structures with suppliers result in management fees paid to Capita that form part of the supply costs?

For example in the pension sector the pension fund manager will charge a fee based on transaction volume, thus making equity churn within the fund something that generates income to the fund manager which is transferred to the fund manager before the net gain is passed to the fund.

The issues about the costs of redundancies amongst procurement staff are the same as those applying to revenues and benefits staff.

Workload volume reductions elsewhere could be replaced by the Barnet workload, thus avoiding redundancy costs to Capita whilst charging Barnet taxpayers for the costs of making Barnet staff redundant.

How does Barnet know it is not substituting work lost elsewhere and that taxpayers are the full beneficiaries of any procurement?

173. Health & Safety

The Council has a duty of care to its residents particularly, children, elderly and the vulnerable.

The CAPITA proposals look to move 66% of Health & Safety team to Southampton.

This implies they will be providing a call centre service?

Please explain how this new service operating from Southampton by staff without in depth local knowledge will

- Ensure compliance of policy and legislation?
- Be able to conduct robust health & safety investigations?