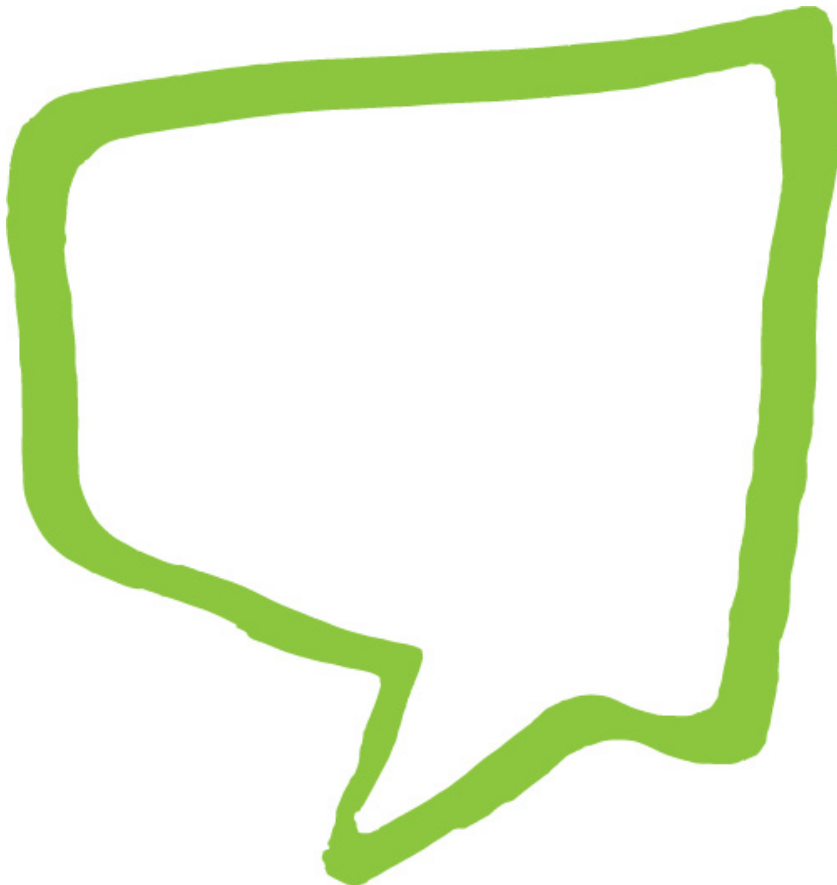


Review of the Strategic Services Partnership Implementation

Southampton City Council

Audit 2008/09

November 2008



Contents

Introduction	3
Background	4
Objectives	5
Audit Approach	6
Main Conclusions	7
Detailed Findings	8
Value for money	13
Appendix 1 – Action Plan	15

Status of our Reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Introduction

- 1 The Council's Strategic Services Partnership with Capita became operational in October 2007. This ten-year joint venture is set to transform and further improve the way customers receive services from the Council, and to help the Council achieve its aims. Capita now deliver six services on behalf of the Council, including customer services, human resources and payroll, IT, procurement, property management and the processing of council tax and benefit claims. This partnership is a major contract and comes with significant financial, legal and operational risks for the Council. It is now almost a year since its implementation, and so is now an appropriate time to ensure that benefits are being delivered in line with the original business case and also as defined in the 'savings' element of the contract.
- 2 We have agreed with the Council to provide independent comment on benefits realisation and effectiveness of the contract to aid the Council in its contract management. This report will also be used in the formulation of our Use of Resources 'value for money' conclusion.

Background

- 3 This project, as a further part of our 2008/09 audit, builds on our work with the Council in the previous years prior to the letting of the contract and helps it in evaluating the benefits delivered so far.
- 4 The vision of the Strategic Services Partnership (SSP) is to 'provide excellent customer service that achieves high levels of customer and operator satisfaction. This will aim to bring benefits to all council staff through the delivery of modern and effective support services, underpinned by flexible and efficient support systems and work practices'.
- 5 Its aims are to:
 - improve efficiency and performance of services;
 - secure investment opportunities;
 - develop a hub of excellence in service delivery;
 - improve transactional performance;
 - maintain robust and reliable IT;
 - maintain Use of Resources 'good' score;
 - implement People Strategy; and
 - embed customer excellence.

Objectives

6 The objectives were to:

- establish whether progress is on track for the delivery of services and the business transformation programme, its associated procurement savings, and what outcomes have been achieved; and
- review the effectiveness of the Council's management of the risks associated with the post-implementation phase of the SSP.

Audit Approach

- 7 We liaised with key officers, councillors and partners involved in the management and delivery of the strategic partnership, and reviewed relevant reports and minutes, including a consultant's six monthly review of the partnership commissioned by the Council.

Main Conclusions

- 8 Good progress has been made in improving the performance of the services delivered through the partnership. Performance indicators for the services have all been met or exceeded. The partnership has also had success in improving procurement practices.
- 9 Some progress has been made to manage the risks associated with the partnership. Aims to transform services, in order to improve their efficiency have not progressed as quickly as had been envisaged by the partnership, but improvements are now underway. Various difficulties in the transferred services of Property, HR and IT are being resolved due to the willingness of the Council and Capita to work together to mitigate these unforeseen risks.

Recommendations

Both parties are aware of the major issues that need to be addressed. The council and Capita have a history of working well together to discuss and implement resolutions. The recent consultants review highlighted the key areas for improvement for the partnership, and a plan is underway to address these. Therefore, it is recommended that the partnership does as follows.

Recommendations	
R1	Continues to progress its transformation realisation plans, with a focus on communicating and adhering to the transformation process and implementing the service improvement plans for services retained by the Council.
R2	Ensures that savings and benefits from opportunities are robustly defined and generated as expected.
R3	Ensures the partnering charter is upheld and that the common aims and culture of joint working are instilled among staff.
R4	Implements the new resolution process where necessary, if ambiguities in the contract arise.

Detailed Findings

What has the Strategic Services Partnership achieved so far?

- 10** The services delivered through the partnership are performing well. All six services transferred relatively smoothly from the Council to Capita and on time. Many of these services are now performing to or exceeding standards. Key reported successes, noticeable to customers, include the refurbishment and improved customer service of the Council's one-stop-shop, and faster performance on payment and processing of council tax and benefits. These achievements and the good results against performance indicators are helping the partnership reach its main aim of providing excellent customer service.
- 11** Highlights of achievements from the six services include the following.

Customer Services

- Opening a new customer service centre covering all telephone post and email.
- Refurbishment of Gateway one-stop-shop in the Civic Centre.
- Reduced telephone numbers for customers to use - for example, 80 per cent of customer telephone calls are being answered with 30 seconds compared to 80 per cent within two minutes prior to the partnership.
- Shorter queues and quicker telephone calls.
- More services transferred into the customer service centre.

Local Taxation and Benefit Services

- Improved collection rates for council tax and benefit overpayments.
- Improved (un-audited) performance for new benefit claims and changes in circumstances.

Human Resources

- Implementing an online recruitment portal.
- Rolling out 'Management Academy' project to managers including training on leadership and project management.

Information Technology

- Technology to support flexible working.
- Introducing a print service which has resulted in a 20 per cent reduction in costs.
- Beginning to implement a £26 million investment in the IT infrastructure, including electronic document records management (EDRMS) and customer relationship management system (CRM). For example, this has meant that services are available during normal service hours for 99.93 per cent of the time which exceeds the first year improvement target set of 99.85 per cent.

Detailed Findings

Procurement

- Contributing towards meeting the Council's overall procurement savings target of £1.2 million for 2007/08, as well as around £500,000 due to partnership procurement projects during 2008/09.
- Introducing e-tendering, with six schemes piloted in June 2008.
- Improving processes such as category managers for suppliers, procurement rules, availability of information.
- Making it easier for smaller companies, black and minority ethnic groups and the voluntary sector to deal with the Council, for example, by shorter, clearer forms and quicker processing times.

Property Services

- Delivering first phase of 'Workplace Fastforward', involving restructure and improvements in the helpdesk service.

- 12** Reported key performance indicators (KPIs) for the services are performing well. In June 2008, all 27 KPIs were met. For example, 83 per cent of calls were answered within 30 seconds, against a target of 80 per cent, and new benefit claims were processed within 22 days, against a target of 30 days. These results exceeded the Council's performance before the partnership was in place. Customer satisfaction is a key performance indicator, but this has not yet formally been measured – both customer and staff surveys are due to be carried out shortly. In the meantime, a new corporate-wide 'Your Views Count' complaints (and compliments) process has been rolled out and promoted in order to gather feedback. Initial reports suggest that complaints are fewer, and the partnership is expecting improvements in satisfaction from the surveys. Overall the KPIs demonstrate good and improving performance.
- 13** As the partnership has only been in place for less than a year, there are still major plans to be implemented, and these are currently on track. For example, new services are about to join the customer service centre such as environment and school admissions. A new regional business centre is due to be set up by September 2010, which will primarily meet Council priorities of regeneration and boosting the economy, as well as improving service efficiency and quality. These plans will help the Council meet the aims of the partnership.

How is it achieving the partnership's aims?

- 14** Performance management of the partnership is strong. Senior staff and councillors are satisfied with the content, timing and quality of the performance reports that they receive. This is confirmed by a consultant's six-monthly review which reports of a good performance-driven commercial regime, with a focus on outcome-based metrics. The Council's internal audit team also confirms sound governance and reporting mechanisms. This includes a consistent performance payment mechanism, clear targets and a framework for escalating performance issues. Recommendations resulting from the consultants review have been turned into an action plan, with progress with the implementation of recommendations on track. This has included the development and agreement of a shared partnership charter to help share and instil values.
- 15** Performance indicators for Property Services have only recently been agreed. A lack of clarity of their definition, along with key staff leaving, caused initial confusion on how the indicators should be measured or reported. The indicators have recently been redefined and agreed but have yet to be reported on. Officers are confident that the new measures are clearer and less open to interpretation, ensuring better performance management for the future.
- 16** Initial difficulties were caused by an unforeseen risk of differing interpretations of the contract by both parties. Although the contract was as carefully prepared and worded as possible, the scale of the partnership, and therefore the complexity of the contract, has meant some parts of it have not been straightforward. The external partner's personnel that originally discussed and drew up the contract have since left, which has added to the confusion or a lack of agreement over certain clauses. For example, this has led to a mismatch in interpretations over the role of the IT project team. The partnership have taken a pragmatic and mature approach to coming to an agreement on the definition, including team discussions and mediation, and have put in place clearer processes and procedures in order to mitigate the risk in the future if further disagreements arise. The relatively swift resolution of these contract issues shows that the partnership is able to work together to find acceptable solutions to problems.
- 17** Risk is adequately managed. For example, business continuity and disaster recovery plans are being put in place, and initial delays to the novation of third party contracts within the partnership are being resolved and are now under control. The Council's internal audit team report that substantial assurance can be placed on the effectiveness of risk management, control and governance. The risks of such a major partnership have also partly been offset by factors such as a robust contract, effective performance management, site visits and learning from other similar partnerships, as well as multi political discussions, buy-in and governance. Financial risks - such as £33 million of guaranteed savings from procurement and transformation - have also been transferred to Capita, and therefore the Council has taken comprehensive steps to ensure that risks are managed well.

Detailed Findings

- 18** Transformation of the services retained in-house by the Council, and not transferred to the partnership, has not progressed as quickly as had been envisaged, although no specific timetable or targets had been set for this. A key mechanism to improve the effectiveness of these in-house services, as well as to make savings, is by the process of service transformation. The Council has approached this by collecting a wide range of ideas and opportunities and drawing these up as proposed business cases. However, these have resulted in less savings than had been anticipated, both in the amount of full business cases that have been completed (three to date), as well as the savings enabled from them.
- 19** The partnership has reviewed the reasons for this, and has now put in place a more robust process. This includes a range of improvements such as:
- a more strategic and wider-ranging approach to business cases rather than smaller, individual services;
 - changing the transformation process so that the relevant departments now retain the savings that they make;
 - earlier buy-in from all levels of staff including managers and directors, to ensure greater ownership;
 - proper mandates for the business cases, presented to the chief officers management team and cabinet for approval;
 - more up-front work including use of benchmarking data, to ensure savings are as realistic as possible, with bandings rather than exact figures;
 - merging the transformation and procurement processes to ensure a more holistic approach to service efficiencies; and
 - 10 per cent of the savings going back into the transformation fund to support more projects.
- 20** Officers agree that this has helped change the acceptance and support for the transformation agenda, and that this clearer process is beginning to show improved results. For example, the business case for the town depot review is well informed with clarity of data and resources. Also the procurement process for externally provided domiciliary care business case has realistic predicted savings, which will then have a positive impact on the proposed transformation of the internally-provided domiciliary care.
- 21** Overall, although initial expectations have not been met, savings have been made from transformation through the partnership which otherwise would not have been realised. There is now a much greater focus on ensuring progress is made in this area.
- 22** Three of the six transferred services have experienced difficulties in transferring. Although this has not had a major impact on service delivery, and solutions are being implemented, these unforeseen risks affected the progress and smoothness of transition. There have been different reasons for the difficulties in each of the services, outlined below.

- Property Services has experienced the most problems during the transition. Officers have indicated that this is mainly due to the situation and culture of the previously in-house department, which was poorly structured, under-resourced and not sufficiently customer focussed. Coupled with a lack of efficient processes and ineffective performance management, this led to fire fighting and underperformance. As a result, the partnership has restructured the department, introduced new processes and recently a more robust suite of performance indicators. These changes have also included the introduction of relationship managers, better project management and process maps, as well as assigned mentors and champions to deliver training to the 150 staff in the department. Senior managers are confident that the department is improving, although it will take several months to change the culture to a more customer centred approach.
- Human Resources had a number of difficulties during the transfer. This is largely due to a high turnover and shortage of staff in trying to carry out day to day work as well as a new project, which moves towards manager and employee self-service with more online services and fewer staff. This lack of resources has led to significant errors such as staff tax returns being sent to wrong addresses, and files accessed without permission by unauthorised staff. The external partner has plans to address a reduction in staff as the department moves towards its 'self service' aims for next year. This is a known challenge. However, the project is on target, with the first phases of management training having been carried out.
- IT services has encountered interpretation issues from the contract. The partnership has had differences in defining areas such as the distinction between projects and 'business as usual' work, and therefore the roles that the IT staff should undertake. The consultant that has been reviewing the partnership facilitated a learning resolution between the parties, which has resulted in a new agreed framework with outcomes such as clearly defined projects for the future. Officers from both parties agree that there is inevitable ambiguity in such a complex contract, and are content that the new framework will help resolve any future issues that may arise.

23 Some issues have arisen due to the differing culture in the working styles of the Council and the external partner. This has led to the problems encountered above, such as the lack of a customer focus within Property services, aspirations not being met, and disagreements within IT as to what staff roles are. The consultant's six-monthly review highlighted this cultural tension, and work has been done to ensure shared aims and a joint way of working are introduced. This for example has resulted in a partnering charter and joint vision. Senior staff from both parties appear to genuinely embrace the opportunity to work together, and this is strengthened by good professional relationships and strong governance. Overall the partnership is still on a learning curve, but the shared vision to deliver quality services could help ensure these problems are overcome.

Value for money

- 24** Savings realised from the partnership so far have been modest. Annual benefits (for the next ten years over the life of the partnership) realised so far from completed business cases are:
- £613,000 (as of May 2008) one-off saving from the single person discount error and fraud transformation project within revenues and benefits services;
 - £85,000 pa (as of March 2008) from the office supplies procurement project, moving from branded to supplier own brand products (reducing costs by around 20 per cent); and
 - £410,000 pa (as of April 2008) from the external domiciliary care procurement project by deferring price increases from care providers.
- 25** Savings that are due to be realised in the next few months are:
- £112,000 pa (as of September 2008) from the street works management project;
 - c£245,000 (as of August 2008) from the transition of four more services into the Customer Services Centre, including £120,000 for Environment services; and
 - £1,222,000 (as of November 2008) from a strategic review of external domiciliary care sourcing.
- 26** Further large savings anticipated by the partnership from a range of other transformation or procurement opportunities, include a strategic option review of the town depot, a parking service review and a parks and open spaces review.
- 27** Some completed business cases, particularly service transformation projects, have resulted in less savings than expected. For example, the original savings anticipated from the single person discount project were around £3 million rather than the £613,000 realised. The parking enforcement business case was hoped to realise £3 million at one stage, but this is now on hold as the savings would be much less than originally anticipated. This project will be reviewed as part of a more holistic parking service review later in the year. Overall, the more robust processes that are now being implemented, as well as a change in the external partner's personnel that are used to direct the programme, should result in more realistic forecasts.
- 28** Aside from savings, the Council is benefiting from other value for money aspects from the partnership. For example, the external partner has started to invest £26 million in the partnership over the next ten years, mainly by upgrading the IT infrastructure. The external partner has also brought trained experienced staff to the partnership that the Council would not otherwise have had access to, helping improve quality of services. The Council has also negotiated £48 million in savings from the transformation of retained Council services over the ten years of the partnership, of which £33 million is guaranteed by the external partner. The Council has also negotiated to receive 90 per cent of savings made over the initial £48 million. Therefore if the business cases are completed according to plan, the Council could demonstrate good value for money over the life of the partnership.

- 29** Procurements are progressing very well. Since the partnership has been set up, a range of changes have been implemented resulting in some early benefits showing good value for money. These changes have included:
- the introduction of more experienced procurement staff;
 - the development of e-tenders;
 - improved internal processes with better clarity of information, such as how to extend a contract or to find out when a contract is about to expire;
 - developing and delivering the procurement strategy;
 - shorter more efficient procurement procedures, processing times and questionnaires for suppliers; and
 - clearer advertising for contracts and tenders.
- 30** This has led to results such as cashable savings of around £500,000 arising from negotiations with suppliers, increased e-tendering registrations, and easier access to tendering by harder to reach groups such as black and minority ethnic businesses, the voluntary sector and small and medium enterprises (SMEs). For example, in June 2008, 118 organisations had registered electronically for tenders, of which 76 per cent were from SMEs. However, until very recently, there has not been a strong focus on sustainable procurement, and the partnership recognises the need to develop its approach to sustainability through its new draft procurement strategy. Overall, improvements to procurement services have increased savings and value for money, as well as providing easier to use, fairer systems.

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 The partnership continues to progress its transformation realisation plans, with a focus on communicating and adhering to the transformation process and implementing the service improvement plans for services retained by the Council.	3	Carolyn Williamson Paul Medland	Yes	Transformation progress closely monitored at the Partnership Transformation Board. Communications role now incorporated in a new post in the Partnership Division. Monitoring of the service improvement plans through the Partnership Operations Group.	Ongoing
7	R2 The partnership ensures that savings and benefits from opportunities are robustly defined and generated as expected.	3	Carolyn Williamson	Yes	Monitoring reports to Partnership Transformation Board.	Ongoing

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R3 The partnership ensures the partnering charter is upheld and that the common aims and culture of joint working are instilled among staff.	2	Paul Medland	Yes	Reinforced at the Annual Review of Partnership and will be subject to review by PA Consulting as they undertake their 12-month review.	Ongoing
7	R4 The partnership implements the new resolution process where necessary, if ambiguities in the contract arise.	2	Paul Medland	Yes		Ongoing as necessary

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
