

---

EXEMPT

# HAVANT BOROUGH COUNCIL

CABINET

02 November 2022

---

## CAPITA 5CS INTER-AUTHORITY AGREEMENT GOVERNANCE CHANGES

### FOR RECOMMENDATION TO CABINET

**Portfolio Holder: Cllr Tim Pike, Cabinet Lead**

**Executive Head of Service for Commercial: Chris Bradley**

**Report Number: HBC/090/2022**

---

#### 1. Purpose

This report seeks to outline the current position regarding the Capita 5 Councils contract, specifically covering governance and the financial position.

- a. The Capita 5C's contract has undergone many changes and this report sets out a summary of how we need to change the governance to reflect the current position.
- b. There is a payment to be made to South & Vale Councils to rectify historic overpayments on their part resulting from those changes.
- c. This report asks you to agree a simplified member joint committee and decision-making process going forward.

#### 2. Recommendation

This report recommends to Cabinet THAT:

- a. Cabinet notes and endorses the minor alteration to the proportion of the size of 32.81% contribution to the Capita 5 Councils contract and agrees the approach to the 'truing up' mechanisms, making payment as set out in paragraph 4.4 and 4.6.
- b. Cabinet approves the streamlined governance approach, reflective of the size of the contract, to enable effective oversight and management of the contract which includes all the changes set out in paragraph 5.3 including the annual meeting of the Joint Committee, providing budgetary and

contractual oversight, and continuing the spirit of partnership working, whilst keeping members informed of contract performance.

- c. Cabinet delegates to the Chief Executive in consultation with the Cabinet Lead to complete the updated inter authority agreement based on the principles set out in this paper.

### **3. Background**

- 3.1. Havant Borough Council, alongside 4 other councils (South & Vale, Hart, and Mendip) entered into a contract with Capita in 2016.
- 3.2. The governance structure embedded in the Capita contract and the Inter-Authority Agreement (IAA) between the authorities reflected the original scope of the contract and provided for a potential future expansion of the contract encompassing other authorities and services. It also provided for 'Lot 2' services to be delivered by Vinci
- 3.3. The Vinci contract was terminated in 2018 and the Capita contract has reduced in size and scope since its inception. Most notably, this has included the removal of Licensing, HR and Payroll, Finance services and Procurement. The contract now consists of Revenues and Benefits, Land Charges and IT for all authorities and Customer Services for just a few of the authorities.
- 3.4. With this in mind:
  - a. In 2021, the S151 Officers from each authority agreed to externally commission a forensic analysis of the changes that had occurred to the contract and the impact on the financial position. The outcome of which was produced early in the summer this year.
  - b. In 2022, the Chief Executives from each authority agreed to a review of the potential to streamline the governance overseeing the contract while ensuring it remained fit for purpose.

### **4. Additional Budgetary Implications – Financial truing up**

- 4.1. The Inter Authority Agreement between the authorities makes it clear that each council is obliged to pay for services it receives and would need to reflect any payment changes, any contract changes made collectively or individually. An important principle was that one authority should not be expected to pay for decisions taken by another authority.
- 4.2. In December 2020, the Joint Committee endorsed the recommendation to change the baseline proportion of the payment for the contract to 32.74% for Havant Borough Council. This change was then approved by the individual authorities and reflected in the budget for the following year.

- 4.3. Following the termination of a significant number of services in the contract over the past few years, the S151 Officers agreed to commission an external forensic analysis of all the changes in the contract and the impact on the contract both collectively and to the individual councils. The final report was considered by the S151 Officers in July 2022, who then recommended acceptance of the findings to the Strategic Management Board.
- 4.4. The outcome of this report shows that the baseline percentages that Havant Borough Council, (HBC), should now pay is 32.81%. The report also verified that South and Vale had accrued much of the early costs of the Capita contract through forward funding key implementation milestones on behalf of the other partners. In order to reimburse these initial payments HBC need to pay the sum of £917,552 to South and Vale as set out below:

Council	Truing up payments	Original baseline	New Baseline
Mendip	£933,292	21.23%	22.33%
Hart	£413,406	10.58%	11.01%
Havant	£917,552	32.74%	32.81%
Vale	(£1,378,050)	17.12%	16.21%
South	(£886,202)	18.33%	17.64%

- 4.5. HBC have a sub agreement of the Capita contract with East Hants District Council, (EHDC), with the proportionate cost split being 81% HBC and 19% EHDC. Applying these percentages to the amount now owed equates to £743,217 for HBC and £174,335 for EHDC. Costs associated with the Truing up have been anticipated for some time and financial reserves have been set aside accordingly (as part of the approved HBC revenue budget)
- 4.6. In September 2022, the S151 Officer's agreed to phase the repayments owed to South and Vale over three financial years as detailed below:

Council	01 October 2022	01 April 2023	01 April 2024	Total
South	(£433,101)	(£221,550)	(£221,550)	(£886,201)
Vale	(£689,025)	(£344,512)	(£344,512)	(£1,378,049)
Hart	£206,703	£103,352	£103,352	£413,407
Mendip	£466,647	£233,323	£233,323	£933,293
Havant	£371,609	£185,804	£185,804	£743,217
East Hants	£87,167	£43,584	£43,584	£174,335

- 4.7. Moving forwards, there will be no further need to make contract adjustment payments on an ad-hoc basis as the S151 Officers have agreed the proportionate annual cost split for the remainder of the contract period up to

2025. HBC have subsequently built these costs into their 2023/24 budget and revised MTFS.

## **5. Governance**

- 5.1. Following a request from the Chief Executives, a review of the governance was undertaken, and recommendations made to streamline the contract management. Appendix 1 sets out the current governance and Appendix 2 sets out the proposed governance.
- 5.2. The proposed governance structure has been agreed by the Chief Executives, the Monitoring Officers, and the Councils' Joint Tactical Board representatives. It has also been shared with the Capita contract leads who are supportive of the changes.
- 5.3. The recommendations are:
  - a. Joint Committee to meet annually, down from quarterly currently. The Committee, whilst not being a formal decision-making body, provides budgetary oversight and continues the spirit of partnership working whilst keeping Members informed on the contract.
  - b. Strategic Management Board (SMB) to meet annually or as required during the year. The process for obtaining SMB approval on important strategic matters that cannot wait until the annual meeting to be fully set out in a redrafted Inter Authority Agreement (IAA).
  - c. Joint Tactical Board (JTB) and Operational Management Board (OMB) to meet quarterly, with virtual sign off on change controls as required in between meetings. The mechanism to agree matters in between meetings to be set out in a redrafted IAA.
  - d. Service Improvement Group (SIG) to continue to meet monthly, with the option to include the Land Charges Service Group in the monthly meetings as the HMLR project moves into its main delivery phase.
  - e. IT Strategy Board and IT Operational Board meetings to continue without change.
- 5.4. Subject to approval by the respective authorities, a project will commence to fully redraft the current iteration of the IAA. This will capture all governance changes and will also incorporate a number of other key changes that are arising over the coming months. These are, most notably.

- a. Subject to approval, the agreement between the S151 officers on revised apportionment figures following the conclusion of the 'Truing Up' exercise.
  - b. The ongoing arrangements regarding the Zellis payroll bureau and software contract.
  - c. The accommodation of EHDC at appropriate points within partnership governance considering the separation occurring between them and Havant.
- 5.5. In consultation with the authorities Monitoring Officers, the External Solicitor will lead on the redrafting of the IAA to incorporate all changes listed above.

## **6. Options considered**

- 6.1. The councils could continue with the existing governance, but this is no longer suitable for the size of the contract.
- 6.2. The councils could continue with the Truing Up exercises, however this impacts in-year financial accounting, with South Oxfordshire District Council bearing the burden of significant unpaid sums.

## **7. Resource Implications**

### **7.1. Financial Implications**

This report recommends that a payment of £743,217 be made to South Oxfordshire and Vale of White Horse District Councils. It also reflects a minor alteration in the baseline for the contract from 32.74% to 32.81%.

### **Section 151 Officer comments**

The payment adjustment to the Capita contract, and subsequent repayment to South and Vale, has been anticipated for several years with relevant financial reserves put aside by Havant BC. Drawdown against these reserves will now take place as detailed in this report.

Date: 8 October 2022

### **7.2. Human Resources Implications**

There are no Human Resources implications

### **7.3. Information Governance Implications**

There are no Information Governance implications for the HBC services. Relevant and appropriate information will be transferred to EHDC in accordance with the agreed Exit Plan.

7.4. Other resource implications

There are no other resource implications

**8. Legal Implications**

8.1. The proposed changes will be subject to formal approval by each authority.

8.2. In conjunction with Havant Borough Council's Constitution, Cabinet has the authority to approve the recommendations of this report.

**Monitoring Officer comments**

There are no legal implications which would invalidate the Cabinet adopting the recommendation to move to the new base-line percentages as this conforms with provisions in the existing Inter- Authority Agreement in terms of participants joint and several liability obligations.

Date: 17 October 2022

**9. Risks**

9.1. There is a need to ensure that decisions on the contract are taken in a timely manner. Reducing the frequency of meetings could impact on that timeliness. This risk has been mitigated by enabling the Client Relationship Director to call an urgent meeting of SMB or JTB and ensuring that decisions can be made virtually, between meetings, with the decision then being captured in the formal minutes of the subsequent meeting.

**10. Climate & Environment Implications**

10.1. No climate change implications issues arise because of this report. withdrawal from the Delegation Agreement will enable HBC's Environmental Services to align closely to the Council's Climate and Environment strategy and to adapt to meet the Council's obligations under the Environment Act.

**11. Equalities:**

11.1. No equalities issues arise because of this report.

**12. Consultation**

- 12.1. Consultations have taken place between the 5Cs partner authority Chief Executives.
- 12.2. Consultations have taken place between the 5Cs partner authority Chief Executives.

**13. Communication**

- 13.1. Any decision by Council will be communicated to all councillors in the usual way.
- 13.2. Briefings to 5Cs partners, the Management Team and relevant staff have already taken place.
- 13.3. This decision will not affect the day-to-day delivery of services to Havant Borough residents.

**14. Conclusion:**

- 14.1. This review will streamline the governance of the Capita contract to enable authorities to make best use of their staff resources yet will still provide effective oversight and management of the contract. The revised structure is appended to this paper.
- 14.2. The adjustment to the baseline percentages ensures that all authorities can better manage the financial implications of the contract.

**15. Appendices**

Appendix 1 – Governance structure at present.

Appendix 2 – Governance structure as proposed.

**16. Background papers**

- 16.1. None

Agreed and signed off by:

Cabinet Lead: Cllr Tim Pike – 19 October 2022  
Executive Head: Chris Bradley - 18 October 2022  
Monitoring Officer: Mark Watkins - 18 October 2022  
Section 151 Officer: Malcolm Coe - 18 October 2022

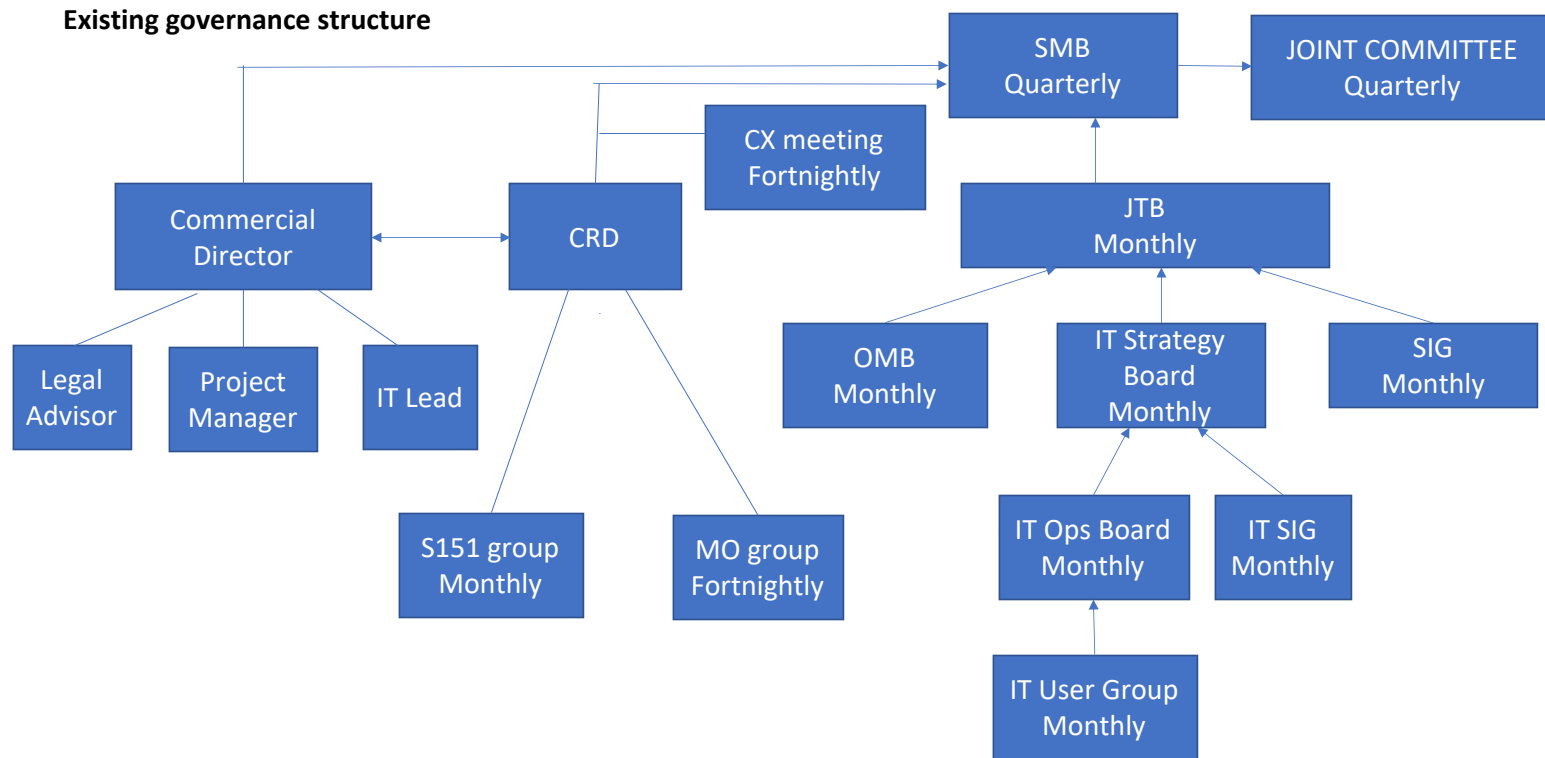
**Contact Officer**

Name: Chris Bradley

Job Title: Executive Head of Commercial  
Telephone: 07403 020 255  
E-mail: [chris.bradley@havant.gov.uk](mailto:chris.bradley@havant.gov.uk)



Appendix 1 - Governance structure at present.



Appendix 2 - Governance structure as proposed.

