

Barnet UNISON Briefing

## 25% failure rate of strategic partnership contracts

October 2012

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

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

### Terminated and reduced strategic partnership contracts

Authority	Contractor	Reasons for termination/reduction
<b>Terminated contracts</b>		
Bedfordshire County Council	<b>HBS Business Services</b>	Terminated contract in 2005 four years into a 12-year contract after failure to achieve key deliverables and poor performance. Services and over 500 staff returned to in-house provision.
West Berkshire Council	<b>Amey plc</b>	Terminated 10-year contract with Amey Group in 2005 after three years because of poor performance.
Redcar & Cleveland Council	<b>Liberata</b>	Following a 'strategic review of services' HR and Payroll, Finance and Accounting, ICT, Public Access and Business support brought back in-house in September 2006 after only 3 years of the 10-year Liberata contract.
Sefton MBC	<b>Capita Group</b>	Failure to achieve planned savings in £70m contract for architectural, engineering, property and highway services which commenced October 2008. Council agreed to terminate contract in September 2013 (Cabinet Meeting, 17 November, 2011)
Essex County Council	<b>BT</b>	The 10-year contract commenced 2002 but in January 2009 the Council served BT with a notice of material breach of contract. Council spokeswoman said: "We decided it wasn't value for money and we weren't getting the level of service we required"(Financial Times)
<b>Significantly reduced contracts</b>		
Rochdale MBC	<b>Mouchel plc</b>	Property and highways services returned to in-house provision in early 2012 following review of contract in 2011 and termination of contract. Agilisys element continuing but under review.
Swansea City Council	<b>Capgemini</b>	£83m ICT contract with Capgemini. Phase 1 savings reduced from £26m to £6m and Phase 2 abandoned.
Somerset CC	<b>IBM</b>	Key services and 160 staff transferred back to Council in 2012, JVC suffered heavy losses, poor performance record, Southwest One started legal action against Council over procurement payments.
<b>Failure to achieve savings – three examples</b>		
Suffolk County Council:	<b>BT</b>	Original cost of the contract was £301m, but by 2010 it had soared to £427m.
Somerset CC	<b>IBM</b>	Delivered only £6m of the £195m promised savings half way through the 10-year contract.
Liverpool City Council	<b>BT</b>	Council audit found £19m overcharging, could not verify BT investment, projected big savings with in-house

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

### **Barnet Council's poor track record managing contracts**

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

The Council's track record includes:

- The £10.3m additional cost of the **Catalyst care home contract** plus £100,000 legal and management costs incurred in the renegotiation of the contract.
- **Fremantle Trust** drastically reduced the terms and conditions of staff in care homes; legionella in three care homes in 2011;
- The £12m **Aerodrome Road Bridge replacement contract** almost doubled to £23m;
- The Council spent £1.36m without a contract with **MetPro Rapid Response**, which "...failed to comply with...Financial Regulations, exposing the Council to significant reputational and financial risks" (London Borough of Barnet, 2011).
- The **SAP (Systems, Applications and Products) project** to modernise the control of payments and purchasing was initially estimated to cost £8m in 2006, but costs spiraled to £25m and many of the promised benefits of automation have not materialized;
- A loss of £1.4m to the Council's pension fund because it failed to notice that the bond for **Connaught Partnership** had expired before it went into liquidation. The Receivers, KPMG, confirmed that unsecured creditors would receive less than one penny in the pound (London Borough of Barnet, 2011c).
- The council is considering terminating the **Greenwich Leisure Ltd (GLL)** contract because the "...planned reductions [£1.2m] to the revenue budgets for 2011/12 and 2012/13 are not achievable due to the contract management fees payable to GLL" (London Borough of Barnet, 2011).

These failures were a result of a weak client side, poor contract management and failure to monitor contracts; inadequately resourced internal audit and assurance; a lack of recognition of the risks of outsourcing; and ineffective Oversight and Scrutiny and its ability to challenge.

### **The potential consequences for the Council**

**Financial** – Bedfordshire had to pay HBS £6.75m to terminate the contract in 2005. Somerset County Council has considered terminating the contract with IBM, but were informed it would cost £15m. BT claimed contract termination would cost Liverpool City Council £17.5m.

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**Service delivery** – disruption to service delivery, delays for service users, internal reorganisation for staff at additional cost.

**Reputational** – loss of confidence by external suppliers resulting in higher contract prices for other goods and services.

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



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