



National Audit Office

## NEWS RELEASE

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Report by the Comptroller and Auditor General

# NHS England's management of the primary care support services contract with Capita

NHS England and Capita misunderstood the risks in outsourcing primary care support services resulting in services to 39,000 GPs, dentists, opticians and pharmacists that were a long way below an acceptable standard. Capita's performance against the contract has improved but widespread failures are still being experienced by primary care practitioners, says today's report by the National Audit Office (NAO).

In August 2015, NHS England entered into a seven-year, £330 million contract with Capita to deliver primary care support services. NHS England aimed to reduce its costs by 35% from the first year of the contract and provide a high-quality and standardised service. Capita expected to make a loss of £64 million in the first two years of the contract, which it planned to recoup in later years.

NHS England's decision to contract with Capita both to run existing services but also simultaneously to transform those services, was high risk. Capita was incentivised through the contract to close existing services to minimise its losses but the interaction between running, closing and transforming services was more complex than Capita or NHS England had anticipated.

Performance issues emerged in 2016 shortly after Capita started closing primary care support offices and making other changes to the service. Capita acknowledges that it made performance issues worse by continuing to close support offices in summer 2016 even though it was aware the customer service centre was struggling to meet demand at that time. NHS England was contractually unable to stop Capita's aggressive office closure programme, even though it was having a harmful impact on service delivery.

Failure to deliver key aspects of the end-to-end service, delivered by Capita and other organisations, impacted primary care services and, potentially, put patients at risk of serious harm. For example, 87 women were notified incorrectly that they were no longer part of the cervical screening programme; processing issues led to an estimated 1,000 GPs, dentists and opticians being delayed from working with patients and some of these practitioners lost earnings. No actual harm to patients has been identified.

Users continue to experience poor delivery with seven severe service failures in February 2018. A number of organisations have contributed to underperformance as Capita relies on other organisations to provide some services.

NHS England has made savings, in line with expectations, of £60 million in the first two years of the contract, as the financial risk of increased costs sits with Capita who have made a £125 million loss over this period. To date, NHS England has deducted £5.3 million from payments to Capita as

penalties for poor performance but it expects it may have to pay up to £3 million in compensation to primary care providers.

NHS England has not yet secured all the benefits it wanted to achieve as Capita's transformation programme was halted while it focused on operational issues. NHS England remain concerned about three of the services - the national performers lists, payments to opticians and GP payments and pensions but recognises that some of the issues with them pre-date the contract with Capita.

Two and a half years into the contract basic principles are still not agreed, which limits NHS England's ability to hold Capita to account. NHS England and Capita have still not agreed how to calculate 11 performance measures, and how these data should be used to calculate payments owed to Capita for delivering the services.

The NAO recommends that NHS England should determine whether all current services within the contract are best delivered through that contract or be should taken in-house by NHS England.

**Amyas Morse, the head of the NAO, said today:**

**“Neither NHS England nor Capita fully understood the complexity and variation of the services being outsourced. As a result, both parties misjudged the scale and nature of the risk in outsourcing these services.**

**“While NHS England has achieved financial savings and some services have now improved, value for money is about more than just cost reduction. It is deeply unsatisfactory that, two and a half years into the contract, NHS England and Capita have not yet reached the level of partnership working required to make a contract like this work effectively.”**

## Key facts



**£330m**

is the estimated value of NHS England's seven-year contract with Capita for nine primary care support services (approximately £47 million a year)

**35%**

intended reduction in NHS England's costs across all primary care support services from day one of the contract agreed by Capita

**39,000**

primary care practitioners are supported by Capita's primary care support services

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<b>5</b>	of Capita's primary care support services, out of nine, were placed in a formal process under the contract to rectify services by NHS England in September 2016
<b>£5.3 million</b>	in contract penalties that were applied by NHS England between January 2016 and April 2017
<b>£60 million</b>	in savings that NHS England has made to primary care support services in the first two years of the contract
<b>41 out of 45</b>	performance indicators that Capita considers it met in February 2018 (where information was available) when factors that Capita considers outside its control were taken into consideration
<b>7</b>	severe service failures against performance indicators in February 2018 when factors that Capita considers outside its control are not taken into consideration (this is the performance experienced by service users)

## Notes for Editors

1. Press notices and reports are available from the date of publication on the [NAO website](#). Hard copies can be obtained by using the relevant links on our website.
2. Primary care support services provide a range of administrative and back-office functions to around 39,000 primary care providers. Services include: administering payments to GP practices, opticians and pharmacies; administering the pensions of GPs; administering entry and changes to national performers lists that provide the public with reassurance that GPs, dentists and opticians in the NHS are suitably qualified and have passed other relevant checks; ordering supplies; moving patients' medical records and processing patient registrations.
3. The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 785 people. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services. Our work led to audited savings of £734 million in 2016.

## Press Notice 24/18

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