

Item No.	Classification: Open	Date: 3 August 2017	Meeting Name: Strategic Director of Finance & Governance
Report title:		Gateway 3 – Extension Approval Exchequer Services processing resilience procurement	
Ward(s) or groups affected:		All	
From:		Director of Exchequer	

RECOMMENDATION(S)

1. That the strategic director of finance and governance approves the extension of the revenues & benefits processing resilience contract with Capita Business Services Ltd for a period of 1 year from 1 April 2018 to 31 March 2019 at an estimated cost of £525,400 bringing the total contract value to £1.9 m.

BACKGROUND INFORMATION

2. The council awarded the processing resilience contract for exchequer services division to Capita Business Services Ltd from 1 April 2016. The contract was for an initial 2 years up to 31 March 2018 and contained within initial contract an option to extend for a further one year.
3. The Council awarded this contract to primarily support the benefits service during the transition of Housing Benefit recipients to Universal Credit (UC).
4. In 2015 the government confirmed that Southwark would be one of the first Jobcentre Plus areas to rollout 'full service Universal Credit' from October 2016. The following areas in relation to welfare reform were likely to place additional workload pressures on the service:
 - Rent verification requests from UC processing centres to confirm recipients rent liability
 - Benefit Cap reduction from £26,000 to £23,000 and associated administrative duties to successfully implement the change.
 - Additional work arising in the temporary accommodation service following the implementation of UC.
 - Issues arising from leading on the wider implementation of UC and the potential for teething problems within the programme.
 - Additional workloads for the rent income teams due to benefit being paid directly to tenants.
5. Since 2015 there has been a general reduction in staff however workloads have not significantly dropped as anticipated.
6. The Department for Work & Pensions continue to make progress with the rollout of UC. In Southwark the majority of new claims for housing support will now be through UC. Whilst there has been a reduction in the council's housing benefit caseload the volumes of processing work received by the service remain at pre UC

levels. Whilst this is anticipated to reduce over time it is difficult at this stage to forecast reductions in workload.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

7. The nature of the proposed variation is to extend the existing contract for 12 months as allowed for in the contract.
8. The total expenditure associated with this contract and calculated to 31 March 2019 is £1.9m. The value of this extension is estimated at £525,400 and represents 28% of the total contract value.

Reasons for Variation

9. In summary the key reasons for the extension as detailed above are
 - The existing contract has an end date of 31 March 2018.
 - Exchequer services require a resilience partner to supplement the operational delivery of services in this period to enable key council priorities to be delivered.
 - The existing supplier has provided an excellent stable and consistent service since the start of the contract and there is no reason why this should change with the proposed extension.

Future Proposals for this Service

10. The proposed extension will enable the service to be reviewed during implementation of UC to determine whether a future resource delivery plan can be accurately forecast.
11. The council will continue to monitor the impact of the roll out of UC and plan some soft market testing during this extension period as the demand continues to be unknown at this stage.

Alternative Options Considered

12. Given the uncertainty over future workloads and the points raised in paragraph 5 & 6 the council decided the most appropriate action, at this time, was to invoke the one year extension. However the council will be looking to review future requirements during 2018 with a view to entering into a full procurement from April 2019 should a requirement for resiliency continue.

Identified risks for the Variation

13. A table of risks associated with the extension is set out below

	Risk Identification	Likelihood	Risk Control
R1	Provider not interested in providing the service for the extension period.	Low	Agreement in principle for the extension has been reached with the current provider
R2	Service disruption	Low	It is anticipated that there will be limited disruption during the contractual period as the extension will ensure continued support for increased workloads.
R3	Continued value for money	Low	The commercials for the contract were renegotiated in 2016. The price will not be inflated for the extension & therefore the council remains confident that the contract offers value for money.

Policy implications

14. An effective resilience provider is necessary to support the wider aims of exchequer services including reducing worklessness in the borough and continues to ensure more efficient processing of housing benefit and council tax reduction claims.
15. The service provided will assist the council in achieving the fairer future principles by ensuring fast and efficient processing of council tax thereby maximising income for the council.

Contract management and monitoring

16. Exchequer services already monitor the day to day performance of Capita. No additional resources are required as consequence of this new contract.
17. In addition, within the structure, the senior managers have client responsibility for the monitoring and management of the day to day performance of the services provided by the service provider.
18. A robust governance structure is already in place to ensure:
- KPI's are being delivered
 - Performance is delivered against specification requirements
 - Quality monitoring of performance and benchmarking against internal resources
 - Management of resource allocation
19. A formal contract review of performance will take place on a monthly basis and any issue that requires escalation will be referred to Capita's Client Director as necessary for resolution.

Community Impact Statement

20. The revenues and benefits operation is a front line service affecting the wider community and in particular some vulnerable customers within Southwark. To ensure the effective administration of the service a flexible processing resilience partner will assist the council in ensuring payments of the housing benefit are received on time thereby reducing the potential for homelessness within the community.
21. The service has continued to improve for the duration of this contract. Year on year improvements for benefits processing have been achieved. Efficient processing of benefit claims ensures that some of the most vulnerable in the borough receive appropriate support to maintain financial stability in relation to housing support or council tax liability. This contract enables the council to maintain processing of variances in workloads and therefore ensures timely support for those most in need.

Social Value considerations

22. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

23. The cost of the extension is estimated at £525,400.
24. The efficient and effective collection of council tax revenue supports the wider economy within Southwark. The resilience service will support the aims of exchequer services by ensuring that council tax is collected more efficiently and effectively to help sustain services within the council.

Social considerations

25. The Council has liaised with the supplier to ensure that the London Living Wage principles are adhered to in all areas of service delivery relating to this contract. Due to the nature of this contract being a remote reliance service it is not possible to add any other social considerations.

Environmental/Sustainability considerations

26. Exchequer services minimises the use of paper through provision of a document imaging system. It is anticipated that the council's supplier would continue to make use of this facility.

Financial Implications

27. The cost of extension, for the year 2018-19, is estimated to be £525,400 based on an anticipated reduction in required workload for the extension period.
28. Costs associated with the extension of this contract will be funded from the existing Exchequers Services revenue budget within the cost centre group CC600 and therefore should be no additional call on corporate resources.

Legal Implications

29. See legal concurrent

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (F&G17/002)

30. This report seeks approval from the strategic director of finance and governance to approve the extension of the revenues & benefits processing resilience contract with Capita Business Services Ltd.
31. The strategic director of finance and governance notes the financial implications within the body of the report.
32. Any further extension or variation of the contract beyond the scope of this report will require another delegated approval and confirmation of funding.

Head of Procurement

33. This report seeks the approval of the strategic director of finance and governance for the extension of the revenues & benefits processing resilience contract with Capita Business Services Ltd for a period of 1 year from 1 April 2018 to 31 March 2019. The estimated cost of the extension period will be £525,400, making a total contract value including this period of £1.9 m.
34. The background information explains the continued need for the service with the slower than intended move from Housing Benefits to Universal Credit payments and associated operational service delivery impacts within the current budget provisions (detailed in paragraphs 27 and 28). A review of the progress of the transition will be reviewed during 2018 with a view to going to market if these services are needed beyond the end of this extension period.
35. Paragraphs 16-19 of report set out how the contract is managed and monitored, whilst setting out in paragraph 25 that the London Living Wage is paid.

Director of Law and Democracy

36. This report seeks the approval of the strategic director of finance and governance to the one year extension of the revenue and benefits processing resilience


contract with Capita Business Services Limited as further detailed in paragraph 1. The decision to approve this variation is one which must be taken by the relevant chief officer or under their delegated authority in line with contract standing order 6.6.3(e), and therefore may be taken by the strategic director of finance and governance.

37. The value and nature of these services are such that they are subject to the Public Contract Regulations 2015, and therefore any variation of the contract must meet the requirements of Regulation 72 of those regulations. One permissible ground for variation is where the possible modification has been included in clear, precise and unequivocal review clauses/options. As noted in paragraph 7, the possible extension for a period of 1 year from 1 April 2018 is an option included within the contract documents.

38. Contract standing order 2.3 requires that no steps should be taken to vary a contract unless the extension has been approved. Paragraphs 27-28 confirm the financial implications of this variation.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature  Date 7.8.17

Designation STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)
As set out in the recommendations of the report.

2. REASONS FOR DECISION
As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION
As set out in the report.

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

None.

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

Not applicable

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

~~I declare that I was informed of the conflicts of interests set out in Part B4.*~~

(* - Please delete as appropriate)

BACKGROUND PAPERS

Background Papers	Held At	Contact

APPENDICES

No	Title

AUDIT TRAIL

Lead Officer	Dominic Cain – Director of Exchequer	
Report Author	Fiona Ives – Head of Support Services	
Version	Final version	
Dated	August 2017	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	No	No

Cabinet Member	Yes	Yes
Date final report sent to Constitutional/Community Councils/Scrutiny Team		

