

Item No.	Classification: Open	Date: 13 March 2019	Meeting Name: Strategic Director of Finance & Governance
Report title:		Gateway 3 – Variation Decision Exchequer Services processing resilience procurement	
Ward(s) or groups affected:		All	
From:		Dominic Cain - Director of Exchequer	

RECOMMENDATION(S)

1. That the strategic director of finance and governance approves the extension of the revenues and benefits processing resilience contract with Capita Business Services Ltd for a period of two years from 1 April 2019 to 31 March 2021 at an estimated annual cost of £750,000 bringing the total estimated contract value for the extension to £1.5m.

BACKGROUND INFORMATION

2. The council awarded the processing resilience contract for the exchequer services division to Capita Business Services Ltd from 1 April 2016. The contract was for an initial two years up to 31 March 2018 with an option to extend for a year. The council subsequently agreed the extension to 31 March 2019.
3. This contract was primarily awarded to support the benefits service during the transition for 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.
5. In June 2018 the Social Security Advisory Committee launched a public consultation on proposals for moving all remaining working-age Housing Benefit residual cases to UC. As one of the first authorities to rollout UC 'Full Service', Southwark has seen a gradual reduction in its Housing Benefit working-age caseload by around 1% a month. In total the caseload has reduced by 7,700 or around 24% since November 2016 and we estimate that a residual caseload of around 11,000 will remain, these being primarily non-working age and temporary accommodation claims.
6. As the DWP continue the planned roll out of UC to the remaining Jobcentre areas, it is also planning the transition to UC of more complex Housing Benefit claims called 'managed migration'. The aforementioned public consultation is an exercise to ascertain valuable feedback from local authorities prior to the commencement of this migration. The DWP has already given an assurance that local authorities will be given one year's notice prior to this migration and, as one the of the first local authorities to go live, we envisage Southwark will also be one of the first to be announced.
7. Given that planning for this will begin as early as 2019 or 2020 considerable uncertainties remain regarding the transition process the DWP will apply. Therefore a number of additional resources will be required in order to transfer the

remaining Housing Benefit caseload to the DWP in a timely manner. Hence the requirement for resiliency resources to remain during this period of uncertainty to ensure performance is maintained.

8. During 2019-20 the council is intending to review its Council Tax Reduction Scheme (CTRS) with a view to developing a less onerous administrative process given the complexities of UC and the lack of financial information to support claims processing.
9. Currently CTRS requires the same level of resources that administer both Housing Benefit and CTRS combined. Given timescales required to agree and implement a new scheme the earliest any significant changes to the scheme could be implemented would be April 2020.
10. Consequently between now and the end of March 2020, irrespective of the impact of UC on the Housing Benefit caseload, the same level of resources will be required by Exchequer services. These tasks include Housing benefit processing, council tax processing, customer services and rent support.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

11. The nature of this proposed variation is to extend the existing contract by two years.

Reasons for Variation

12. In summary the key reasons for the extension as detailed above are:

- The existing contract has an end date of 31 March 2019.
- Exchequer services require a resilience partner to supplement the operational delivery of services in this contract 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.
- The demand for this type of contract is reducing as a result of central government's rollout of UC resulting in Local Authorities no longer being responsible for the administration of Housing Benefit. In a previous soft market testing exercise there was no interest from the market to provide these services, due to the reducing service and substantial set up costs.
- Currently Southwark has the fourth largest UC caseload in the country whereas many authorities are either just commencing rollout or still waiting to commence. Therefore since the previous soft market testing Southwark has become less attractive for any provider to invest in this type of service for the council. The council therefore remains of the view that there is no market interest for this service.

Future Proposals for this Service

13. The proposed extension will enable the service to be reviewed during the continuing implementation of UC, managed migration and a revised Council Tax Reduction scheme to determine whether a future resource delivery plan can be accurately forecast.
14. The council will continue to monitor the impact of the changes identified in paragraph 13 as the demand continues to be unknown at this stage.

Alternative Options Considered

15. Given that the uncertainty of the impact of UC and managed migration continues and points raised in paragraphs 5 to 12 the council believes that there are no other providers able to provide this service and to enter into a full procurement at this time would result in unnecessary costs and resource.

16.

Identified risks for the Variation

	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 and therefore the council remains confident that the contract offers value for money.
R4	Legal challenge	Low	Given the uncertainty within the Housing Benefits administration the council believes that only the existing provider is able to provide this service as other providers would not wish to invest in a short term contract. The council therefore has grounds to negotiate with the existing provider.

Policy implications

17. 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.

18. 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

19. Exchequer services already monitor the day to day performance of Capita. No additional resources are required as consequence of this extension to the contract.
20. 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.
21. A robust governance structure is already in place to ensure:
- a. KPIs are being delivered
 - b. Performance is delivered against specification requirements
 - c. Quality monitoring of performance and benchmarking against internal resources
 - d. Management of resource allocation
 - e. Report to DCRB on performance and progress every 6 months
22. 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

23. 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.
24. 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

25. 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

26. 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

27. The London Living Wage principles are not relevant given the service is provided outside the London area. Due to the nature of this contract being a remote resilience service it is not possible to add any other social considerations.

Environmental/Sustainability considerations

28. 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

29. The cost of the contract will be covered by existing budgets for the two years between 2019 to 2021.
30. The cost of the extension is estimated at £1,500,000 over a two year period.
31. This is a contract with no guaranteed volumes of work allocated to the provider.
32. The actual amount spent is based on demand and therefore it is not anticipated the full contract value will be spent.
33. The spend since 2016 is shown in table below:

Capita Total Resiliency Spend	
1 April 2015 to 31 March 2016	£879,290
1 April 2016 to 31 March 2017	£929,621
1 April 2017 to 31 March 2018	£707,664
1 April 2018 to 31 March 2019 (Projected)	£712,220

Legal Implications

34. See legal concurrent from Director of Law and Democracy

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance F&G 18/018

35. This Gateway 3 report recommends 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 two years.
36. The strategic director notes the financial implications, and that the costs will be contained within the establishment budgets.

Head of Procurement

37. This report seeks the approval of the strategic director of finance and governance for the extension of the revenues and benefits processing resilience contract with Capita Business Services Ltd for a period of 2 years from 1 April 2019 to 31 March 2021 at an estimated annual cost of £750,000, equating to £1.5m for the full extension period.
38. The report details the reasons for the extension in detail within paragraph 12 but is linked to the support for the recipients of Housing Benefits as they transition to Universal Credit.
39. The plans for the monitoring and management of the contract are detailed in paragraphs 19 to 22. The contract does not pay LLW as the service is provided outside of London as confirmed in paragraph 27.

Director of Law and Democracy

40. This report seeks the approval of the strategic director of finance and governance to the extension of the resilience contract with Capita Business Services Limited for a period of two years, as further detailed in paragraph 1
41. The nature and value of these services means that the variation would ordinarily be subject to the tendering requirements of the Public Contract Regulations 2015 (PCR15). However regulation 32(b) of PCR15 allows the council to negotiate with a provider without prior publication, where the services can only be supplied by a particular provider due to competition being absent for technical reasons, and where no alternative or substitute exists. The strategic director is advised that when relying on any ground for exemption from the requirements of the PCR15 there is a potential risk of challenge on the basis that the council does not have sufficient grounds to negotiate. However paragraphs 12 and 15 confirm the circumstances of this variation and the view that there are no other providers able to provide the service at this time and in these circumstances. There is no guaranteed volume of work allocated under the contract, and this will reduce as UC is rolled out.
42. Contract standing order 2.3 requires that no steps should be taken to vary a contract unless the expenditure involved has been approved. Paragraphs 29 to 33 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 13.3.19

Designation STRATEGIC DIRECTOR OF FINANCE & 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
Gateway 3	Finance & Governance	Fiona Ives EXT 50115

AUDIT TRAIL

Lead Officer	Dominic Cain – Director of Exchequer Services	
Report Author	Fiona Ives – Head of Support Services	
Version	V1	
Dated	19 February 2019	
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)	N/A	N/A
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes/No	Yes/No
Date final report sent to Constitutional/Community Councils/Scrutiny Team	26/02/2019	

