

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 15 May 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Customer Services Centre (CSC) Contract with Vangent Ltd	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Peter John, Leader of the Council	

## **FOREWORD – COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL**

Over the past seven years, Vangent has handled customer contact on behalf of the council and made significant strides in modernising and streamlining service delivery, as well as providing skills and knowledge transfer to council staff. The My Southwark web portal, provided directly by the council, and the contact centre and one stop shops, currently managed by Vangent, are the first port of call for residents seeking to access council services and so are of great importance to us all.

As part of its Fairer Future vision, the council has been working with Vangent to review the way in which services are currently delivered to residents and how they might change in the future. This report proposes that the current contract with Vangent, which started in May 2005, will continue until 31 May 2013 and from then the council will be responsible for the services going forward. The council and Vangent are fully committed to minimising any disruption to residents during this change process.

Since May 2005, the council has worked with Vangent to improve the service we offer our residents. We are now able to agree a new direction for the future with them and we look forward to working positively with Vangent to deliver our new model for customer services and to ensure a seamless transfer of responsibility to the council. Our vision for customer services is to treat every resident as a valued member of the family and we believe that having the responsibility for service delivery will help us to achieve this more quickly. We believe this is the right course of action to take if we are to deliver a new approach to customer service that also delivers value for money in the current tough economic climate.

## **RECOMMENDATIONS**

1. That the Cabinet agrees the Principles for Agreement set out in the closed report for the transition of customer services to council control on 1 June 2013.
2. That the Cabinet delegates authority to the Strategic Director of Housing Services to agree the Deed of Variation, necessary to implement the transition of the services.
3. That the Cabinet notes that the proposal for the council's future operating model for customer services will bring the service under council management and give the council greater control over the operation of customer services. A model for delivering the services in future will be presented to Cabinet in the form of a Gateway 1 report in July 2012.

## **BACKGROUND INFORMATION**

4. Under the CSC contract, Vangent Ltd provides a range of customer services on behalf of the council, including the provision of a telephone Customer Service Centre (CSC), the delivery of the services in the council's three One Stop Shops (OSSs), an e-mail response service, translation services and associated functions including a fulfilment service and complaints receipt service. The contract was originally let on 23 November 2004 for a 10 year period running from 31 May 2005 to 31 May 2015.
5. The contract provides for seven service performance measures or Incentive Payment Performance Levels (IPPLs). There are four quantitative measures and three qualitative measures.
6. Payment for the service delivered primarily takes two forms; an annual "given" fixed cost and a cost per transaction. Bonus payments may also be paid when IPPL targets are met. The contract also provides for deductions from contractual payments should targets be missed.
7. There are additional payments associated with the delivery of the contract including accommodation costs at the OSSs, Change Request (CR) charges (associated with requests from the council to change the way the service is delivered) and the costs of the client side function.

## **Change of ownership in 2011**

8. In September 2011, Vangent wrote to the council's Chief Executive advising that Vangent Holding LLC had entered into an agreement to sell all of its stock of Vangent Holding Corporation to General Dynamics Corporation. The council was informed that, upon closing the deal, General Dynamics would thereby acquire an indirect controlling interest in Vangent Limited. Subsequently, the council was informed that the transaction was completed on 3 October 2011.
9. Following this change of ownership, a series of meetings took place between the council, Vangent and General Dynamics IT on a without prejudice basis.

## **Discussions with Vangent and General Dynamics IT**

10. The meetings following the change of ownership have explored the relationship between the council and Vangent and reviewed the way in which services are currently delivered to residents and how this might change in the future. A number of options have been explored and considered in order to ensure, as far as possible, that a mutually satisfactory conclusion can be reached.
11. On the council's side these discussions have been led by a sub-group of the Corporate Management Team (CMT). Vangent and General Dynamics IT have both provided senior-level representation to the meetings.
12. For the reasons set out in the closed report, transition of the services to council control has emerged as the preferred approach which is now being recommended to Cabinet.
13. Whilst acknowledging that the matter remains subject to Cabinet's approval, the council have worked with Vangent and General Dynamics IT to do some useful

preliminary work towards securing the necessary detailed operational, legal and financial agreement to deliver this outcome. Good progress has been made since that time and the council has now discussed with Vangent and General Dynamics IT the Principles for Agreement set out at Appendix 1 to the closed report. These principles set the framework within which a detailed Deed of Variation to the contract can be made.

14. This report seeks delegation to the Strategic Director of Housing Services to agree the terms of the Deed of Variation to the current contract on or before 31 May 2012 with a view to securing transition of the services on 1 June 2013. Discussions are ongoing and, until the Deed of Variation is formally executed between the parties, remain on a without prejudice, subject to contract, and commercially confidential basis.
15. The Leader of the Council, the Cabinet Member for Finance, Resources and Community Safety, and the Deputy Leader and Cabinet Member for Housing Management have been kept closely briefed throughout and have provided an appropriate level of support, challenge and oversight to the work of the CMT sub-group.

### **Managing the transition**

16. Whilst discussions are ongoing, work has necessarily already been undertaken to begin developing the future operating model for managing the service directly, on the assumption that the final negotiations will reach a mutually satisfactory conclusion. A report will be brought to Cabinet in July 2012 setting out the model for the future delivery of services.
17. Included within the Deed of Variation will be a detailed Exit Plan that will establish both parties' responsibilities to delivering a smooth transition of services to the council's management by 31 May 2013. This will build on the existing contractual provisions that provide for the transition of services upon expiry of the contract and seek to ensure that service levels are maintained throughout the transition of services. The Deed of Variation will also set out any phasing of the transition of services in order to support a smooth and orderly transition.
18. The council has established a Customer Services Transition Programme to manage the exit from the current contract and deliver the transition to the future operating model. This will be led by a Programme Board chaired by the Strategic Director for Housing Services and includes specialist service support and representatives from Legal, Human Resources and Finance.

### **KEY ISSUES FOR CONSIDERATION**

#### **Policy implications**

19. One of the six Fairer Future principles set out within the Council Plan is 'Transforming Public Services'. The council's future operating model for customer services will be a key element of the drive to transform public services and so it is important that the council has the best possible arrangements in place.

## **Community impact statement**

20. The provision of customer services by the council has a significant impact on the community. Residents expect the council to be able to deal with their enquiries in an effective manner by ensuring that issues are followed up promptly and successfully and that information provided is accurate and clear. Public satisfaction with the council will be determined to a large extent by the effectiveness with which residents are able to interact with council services.
21. In developing a future operating model for its customer services, the council will need to ensure that service continuity is maintained, that the council's most vulnerable customers are well served and, where changes do need to be made, these are communicated well. This will include undertaking an Equality Impact Assessment of the new model for customer services.

## **Resource implications**

22. The additional costs arising from the transition of the services and the phased transfer of services to the council will be met from within the existing Customer Services budget.

## **Consultation**

23. The negotiations with Vangent and General Dynamics IT have been and continue to be commercially confidential and so no consultation on these would be appropriate.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

24. This report seeks the Cabinet's agreement on the Principles for Agreement set out in the closed report for the transition of customer services to council control on 1 June 2013. Discussions with Vangent and General Dynamics IT regarding the full terms of this agreement remain on-going and are being conducted subject to contract and on a without prejudice and commercially confidential basis. Therefore approval is sought to delegate authority to the Strategic Director of Housing Services to agree the final terms of the Deed of Variation, which will implement the changes to the contract.
25. The option recommended is the transition of services to council control on 1 June 2013. The return of services will be phased to support a smooth and orderly transition, and this will be agreed and detailed in the Deed of Variation which is intended to be entered into by 31 May 2012.

### **Finance Director**

26. The financial concurrent is set out in the closed version of this report.

## REASONS FOR URGENCY

27. Throughout these commercially confidential discussions, both parties have committed to act in good faith and reach an outcome that can support the long-term ambitions of both organisations. During discussions both parties have also committed to conclude any agreement by 31 May 2012. In recognition of the commitment to act in good faith, and safeguard the delivery of the services, delegated authority is required as a matter of urgency in order to enable officers to conclude a final agreement with Vangent to this timetable.

## REASONS FOR LATENESS

28. The report was not available for circulation five clear days before the meeting of Cabinet because discussions with Vangent are ongoing. Discussions on the draft principles of agreement had not concluded before the date of dispatch and so officers were not in a position to publish this report then. The report has been dispatched at the earliest available opportunity.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Peter John, Leader of the Council	
<b>Lead Officer</b>	Gerri Scott, Strategic Director of Housing Services Graeme Gordon, Director of Corporate Strategy Eleanor Kelly, Acting Chief Executive Duncan Whitfield, Finance Director	
<b>Report Author</b>	Daniel Gilby, Principal Strategy Officer	
<b>Version</b>	Final	
<b>Dated</b>	8 May 2012	
<b>Key Decision</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	8 May 2012	