

<b>Item No:</b>	<b>Classification:</b>  <b>Open</b>	<b>Date:</b>  <b>25<sup>h</sup> February 2003</b>	<b>Meeting Name:</b>  <b>Executive</b>
<b>Report title:</b>		<b>Award of the negotiated Revenues and Benefits Contract</b>	
<b>Wards or Groups affected:</b>		<b>All</b>	
<b>From:</b>		<b>Chief Finance Officer</b>	

## **PURPOSE OF REPORT**

1. This item seeks Executive Committee approval to the award of the negotiated contract for Revenues and Benefits with Liberata.

## **RECOMMENDATIONS**

2. That the Executive notes the recommendations from Scrutiny on service development and reviews the investment proposal from Liberata in February 2004.
3. That the Executive approves the award of the negotiated Contract for Revenues and Benefits, to Liberata from the 1<sup>st</sup> April 2003, on a 2 year rolling basis, with an annual review the first of which will take place on the 1<sup>st</sup> April 2004.

## **BACKGROUND**

4. On 25<sup>th</sup> June the Executive received a report setting out options for the future of the Revenues and Benefits Service and the contract with Liberata. The Executive having looked at the competitive tendering of the service, the state of the market, and the cost of bringing the service back in house, agreed to negotiate extending the existing contract, on a 2-year rolling basis.
5. The "Heads of Agreement" discussions, which form the basis of the contract with Liberata, were concluded in September 2002, and were reported to the Executive on the 22nd October.
6. The report, in October 2002, set out the Heads of Agreement, the main principles of the proposed contract, and latest progress on the negotiated contract.

7. Further work has now concluded with a full contract, which embodies the principles laid out in previous reports, agreed by both LB Southwark officers and Liberata. It is expected that the contract, subject to the Approval of the Executive, will now be signed by the end of February with an implementation date of 1st April 2003.

### **Main principles**

#### **Basic Price and associated service delivery targets.**

8. The price for delivery of the Contract is included in the Closed Paper on this agenda.
9. For this price, already included in the Council's 2003/04 base budget – Liberata will contract to deliver the following performance outputs.

	Expected Out-turn 2002/03	Basic Price Performance 2003/04	Bonus Performance 2003/04	Bonus Performance 2004/05
Revenues				
Council Tax – in year	91.0%	90.2%	92.5%	93%
NNDR – in year	98.5%	98.9%	99.0%	99.1%
CT Arrears Collection	2%	2%	3%	3%
NNDR Arrears Collection	2%	2%	3%	3%
Benefits Admin				
New Claims processing	55 days	58 days	46 days	42 days
Change of Circumstances	18 days	22 days	14 days	13 days
Renewals – no delay	55%	55%	68%	72%
Overpayments recovered	32%	33%	37%	N/A
Customer Care				
Call Centre phone calls within 5 minutes	70%	75%	85%	90%
Face to Face within 15 minutes	65%	70%	75%	80%

### **Further service improvements**

10. Liberata will make further investment in service improvements (but not a full IT refresh). Liberata propose an “investment reimbursement scheme”, which reflects their costs of achieving “enhanced” targets. These enhanced targets are designed to deliver the National Best Value Performance Indicators (BVPIs) for both council tax collection (by 2006) and benefits administration (by 2007).
11. The targets are “aspirational” as Liberata do not “guarantee” that they will achieve them in any one year. This could mean that Liberata will incur costs that are not reimbursed because they do not achieve the targets built into the scheme. The targets below indicate that Liberata will achieve national performance indicators. In practice the scheme has “break-point indicators” spread through a range of targets. The actual reimbursement has been calibrated at each individual break point.

Council tax – in year Collection rates	95.1%
Council tax – combined in year and arrears collection	96.25%
Benefits – new claims end to end processing times	36 days
Benefits – change of circs – end to end processing times	9 days
Renewals	83%

### **Agreeing the circumstances and process to be used to “complete or terminate” the contract**

12. Currently the Council is unable to move away from its present contractor without a very high risk of major disruption to the service. One of the problems the Council has with the contract currently running with Liberata is the unclear exit and termination arrangement. This was highlighted in the report to the Executive on 25<sup>th</sup> June 2002, which stated:
13. “One of the problems with the current contractual arrangement with CSL is its inflexibility. In particular the current contract exit arrangements are unsatisfactory and place the Council in a vulnerable position in planning for a handover if CSL’s contract is not renewed. For instance, the contract does not fully specify how migration to a new service provider would be managed or detail how CSL should facilitate the provision of a service pre and post contract”

14. The new contract specifically states the circumstances in which the contract can be terminated within the “notice period” and places duties and responsibilities on both sides to implement an orderly transition plan. The transition plan will be agreed between the parties before the contract commences in April 2003.

#### **Balancing service provision between the Council and Liberata**

15. The “Stakeholders conference” held on 3<sup>rd</sup> October 2002 made some positive recommendations as to how parts of the service could be improved and how the “balance” of service delivery between the Council and Liberata might be amended. An action plan flowing from these recommendations was produced at the end of November 2002 and was fed into discussions over detailed service specifications with Liberata.

#### **SCRUTINY**

16. The Executive received the recommendations of the Finance and General Purposes Scrutiny Subcommittee, on the 28<sup>th</sup> January 2003 and agreed to deal with these at the same time as it considered the final contract report (i.e. tonight). Those recommendations are contained elsewhere on the Agenda (Item 224).

#### **5 Yr option**

17. Officers intend to report back to the Executive in February 2004, in which the investment issue will be reconsidered. For an extension of this level to be recommended Liberata will need to have clearly demonstrated a stepped improvement in the contract outcomes and their commitment to delivering a service, which is highly customer, centred. Of course Liberata will also have to be willing to re-offer their investment option. Such a course of action would lead to a contract alteration, which would be subject to Member approval

#### **Liquidated Damages**

18. The contract negotiated with Liberata aims at achieving a partnership in which both sides will work together to achieve the outcomes needed by the Community. There is no place for a liquidated damages regime in such an arrangement. There are clauses, which clearly define the circumstances under which Liberata can earn their bonuses. Without achieving these targets its very unlikely that Liberata will be able to make a sufficient profit from the contract for them to remain interested in a contractual relationship with the Council.

19. Failure to meet the minimum level of performance would be one of the reasons why the Council could terminate the contract within a 12 rather than a 24-month notice period, if it was demonstrated that this was a material breach. If that were to occur the contract states that both parties will jointly manage the final year of the contract so that an orderly withdrawal and hand-over can be affected.
20. The contract includes the Council's standard liability and indemnity provisions, which enable the Council to claim against Liberata for any losses resulting from Liberata's breach of contract or other acts relating to the provision of the services (including consequential loss). The arrangements for termination of the contract will protect the Authority in this case.

### **Open Book Accounting**

21. Liberata are very clear that their present stance across all the contracts they have with Local Government (11 at the present time) do not include "Open Book Accounting". In discussions Liberata have made it clear that if the Council insisted on this they would withdraw from the contract re-negotiations. In these circumstances Officers have not insisted, at this time, on "open book". However, Liberata have not closed the door completely on this aspect of the negotiations and have said that they keep this issue constantly under review. It is officers' view that Executive should note this recommendation.
22. It is intended to pursue this with Liberata, over the length of the contract, as a better understanding of the benefits of partnership working and changes in working practices in the industry, hopefully impact on the management of Liberata.

### **Council Obligations**

23. As the contract has only recently been completed, it has not been possible to complete this exercise for this report. A summary of the key areas of the obligations contained within the Terms and Conditions of the Contract will be circulated at the meeting.

### **Contractor Performance**

24. The setting of targets will be reviewed annually. This will be affected through the annual meeting of the Partnership Board at which the renewal discussions will take place (1<sup>st</sup> April each year)

### **External Advisors**

25. ESP – the Council's consultants at the initial stages of the contract negotiations were involved in the initial design and contents of the contract. Since then the Council has been advised by an external contracts expert as well as the consultant primarily responsible for the turn-round in Liberata's performance. The Council's legal officers have been working closely with the contracts team to ensure the best possible terms are agreed.
26. It is the Chief Finance Officer's view that there would be no further benefit to be obtained from another consultancy exercise, which would delay the signing of the contract (thereby putting at risk the continuity of service) with costs of at least another £20,000 for no concrete result. If the Executive is minded to agree this recommendation then it is suggested that they determine the advantages to the Council of these costs and agree to receive their report in time for the annual renewal in April 2004.

### **Concurrent Report of the Borough Solicitor and Secretary – legal issues**

27. The Executive is asked to approve the award of the contract recently negotiated with Liberata for the provision of revenue and benefits services from 1<sup>st</sup> April 2003 on a 2 year rolling basis.
28. The Borough Solicitors office has previously advised the Executive that the provision of revenue and benefits services is not required to be tendered in accordance with the full tendering requirements of the EU tendering Regulations, and the Executive have already agreed in an earlier report that the Council enter into negotiations with Liberata for this contract to be extended. The existing contract for these services, which expires on 31st March 2003, includes provision for an extension on the terms and conditions of that contract, but the Council and Liberata are free to agree different terms. The extension of this contract has therefore been negotiated on improved terms and conditions the details of which were reported to the Executive in October 2002 as agreed Heads of Agreement. A representative from the Borough Solicitors Office has advised the project team on the revised terms and conditions of contract throughout the process.

29. As outlined to the Executive in the report presented on 25 June 2002, there is no legal restriction on the Council choosing to extend its contract with Liberata on revised terms and conditions. However in considering whether to award this contract on those revised terms it is necessary for the Executive to consider the duties of Best Value under the Local Government Act 1999, which requires that authorities are to secure continuous improvement in the way they carry out their functions, having regard to a combination of economy efficiency and effectiveness. Paragraphs 9-13 of this report details the performance outputs for the periods 2003-2005 and other possible service improvements. As noted in paragraph 16 the Council has now negotiated detailed provision relating to the exit strategy to protect the Council's interest at the end of the contract.

### **REASON FOR LATENESS**

30. This report is late because the final details relating to the lease for office accommodation have only recently been finalised, and discussions are still on going to agree the lease with Liberata.

### **REASON FOR URGENCY**

31. The report is urgent because the Executive needs to approve this report so that contract signing can be finalised by the end of February 2003, to facilitate the April start.

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held at</b>	<b>Contact</b>
Report to the Executive 25 <sup>th</sup> June 2002, 22nd October	Financial Management Services	Joe Brady, Head of Income Management (020 7525 7504)

### **APPENDIX A**

#### **Audit Trail**

Lead Officer	Keith Brown, Chief Finance Officer	
Report Author	Joe Brady	
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Version Date	17/02/03	
Key Decision	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments Included
Borough Solicitor & Secretary	Yes	Yes
Executive Member	Yes	No
Date Final Report Sent to Constitutional Support Services		

