

<b>Item No</b>	<b>Classification:</b> Open	<b>Date:</b> 12 January 2011	<b>Decision Taker:</b> Cabinet Member for Finance & Resources
<b>Report title</b>	Combined gateway 1 procurement strategy approval and gateway 2 contract award approval revenues and benefit processing capacity service		
<b>Ward(s) or groups affected</b>	All		
<b>From</b>	Dominic Cain, Head of Client Services		

## RECOMMENDATIONS

1. That the cabinet member for finance and resources ratifies the agreement to approve and enter into negotiations with a single supplier for the provision of a revenues and benefits processing capacity service.
2. That the cabinet member for finance and resources approves the award of the revenues and benefits processing capacity service contract to Capita from 24 January 2011 with full services commencing from 1 April 2011 running to 31 March 2014.

## BACKGROUND INFORMATION

3. The council let the revenues and benefits contract originally in 1998 to Cipfa Services Ltd (CSL) now known as Liberata UK Ltd. On 19 May 2009 the executive approved the decision to allow the Liberata contract to expire on 31 March 2011. The executive further agreed to receive a report and gateway 1 providing a recommendation of the preferred option for delivery of the revenues and benefits service from 1 April 2011.
4. On the 29 September 2009 the executive received the gateway 1 report and accepted the recommendation within it to bring the revenues and benefits service back in-house. The gateway 1 also asked the executive to note a number of other procurements that would be required in order to achieve successful transition of the revenues and benefits service. One of these was the provision of a third party to supply operational capacity during the transition period.
5. As detailed in the justification and business case for the procurement the capacity support will provide additional revenues & benefits processing capacity. This will be for a period until the service can operate with a fully recruited establishment with staff trained and productive on processes and procedures.
6. Whilst the contract duration is for a maximum of three years up until 31 March 2014. It is anticipated the requirement for external processing will be re-evaluated towards the end of year one with a view to determining the future need, if any, in years two and three.
7. This report highlights the approach to the procurement of the capacity element of the service, the reasons for the approach and the benefits offered to the council from Capita.

## **Overview of the existing arrangements for processing of Revenues and Benefits**

8. Liberata currently manage the revenues and benefits service, including the collection and recovery of council tax, miscellaneous income together with the administration of housing and council tax benefit.
9. Liberata deliver the service from a number of sites, using a shared service model. The main processing centre is located in Barrow-in-Furness at which site the greater majority of their processing staff are based.
10. Liberata have a local presence at London Bridge and Bromley, from these sites the elements of the service delivered include; fraud, appeals, courts, council tax recovery and systems administration. The staff associated with these elements of the service are expected to transfer under TUPE on 1 April 2011.

## **Summary of the business case/justifications for the procurement**

11. The provision of processing capacity for the revenues and benefits service is crucial for a number of reasons:
  - The final TUPE staff list has not yet been received however Liberata have confirmed that any staff operating within their Barrow shared service centre will not be transferring to Southwark. This equates to the existing full establishment of revenues & benefits processing staff. The programme allows for the recruitment of 82 processing staff to fill identified gaps in staffing levels.
  - The client management of the contract with Liberata during 2010/11 will be robust to reduce further performance issues, however at the point of transfer all work in progress will pass back to the Council. Although large scale recruitment is underway, it is not anticipated that staff will be sufficiently productive from day one, due to the implementation of new systems. Accordingly extra capacity will be required to address this situation and support the new operational model.
  - Past recruitment campaigns within Southwark revenues and benefits service have not resulted in appointment to all vacancies. Whilst Southwark offers attractive terms and conditions it is anticipated that there will be a shortfall of successful applicants in the initial recruitment. Given existing knowledge of the marketplace, the programme team have estimated appointment to a maximum of 50 percent of the establishment.

## **Procurement Process**

12. The required capacity solution is unique to the revenues and benefits service and the requirement for a specific period to provide support during the transition of the service back to an in-house model capable of fully delivering service requirements, has not previously been procured.
13. The council therefore undertook soft market testing to establish the supplier's technical capability of delivering the services required and capacity for delivery to the timescales. The council approached the five suppliers for delivery of these services, Northgate, RB Solutions, Mouchel, Liberata and Capita. The outcome of the soft market testing is detailed in appendix one.

14. The soft market testing confirmed that only two suppliers had the technical capability and capacity to deliver within the tight timescales required; these were Liberata and Capita.
15. In a meeting between the Chief Executive for Liberata and Southwark's Deputy Chief Executive on the 28 July 2010 discussions concerning the provision of this service took place. At this meeting the Chief Executive for Liberata confirmed that they were not interested in being considered as a potential supplier for this contract.

### **Single Supplier Justification**

16. As a result of the soft market testing and the withdrawal of Liberata, only one provider, Capita, demonstrated the technical capability and capacity to deliver to timescales meeting the requirements of the specification.
17. This provided the Sponsoring Group and Programme Board with the reassurance needed to mitigate the risks associated with this complex supplier procurement.
18. Therefore the sponsoring group and programme board ratified the approach to adopting a single supplier procurement.

### **Supplier Capability**

19. The programme board has also identified additional advantages of progressing a capacity partnership with Capita, these included:
  - Capita's experience of transitioning revenues and benefits services from Liberata.
  - Capita's capacity to deliver training & development from their professional services centre located in Bromley. Capita also have the ability to further support the Revenues & Benefits apprentice scheme through dedicated training and expertise in processing. Additional expertise is also available in relation to the redesign of processes and IT systems.
  - Capita have experience of developing shared service models within revenues and benefits and this would be advantageous to the council's long term strategy by assisting in the development of future service models.
  - Capita also possess significant resources and skills capable of developing performance management reports across a range of revenues and benefits applications including Northgate's i-world and Information@Work strategic systems.
  - Internal and external audits have identified significant issues around quality of data. Capita have expertise that will support the council in identifying methods of data cleansing and could assist in the development of strategies to support the improvement of the council tax database.
  - Capita have already developed integrated performance and quality tools which may be made available to assist the council in the operational management of the service.
  - Capita have expertise in both legislation and best practice, this partnership would provide an opportunity for the council to engage with Capita to develop improvements in the services delivered to its customers.

## **Procurement approach**

20. This procurement is for services and its contract value exceeds the EU threshold of £156,442. Under the Public Contracts Regulations 2006 this service is a Part B service so the full regulations do not apply however the contract is still subject to treaty requirements of transparency, non-discrimination and there is a need for adequate advertising. For the reasons set out in paragraphs 12 to 18 and 21 only one provider is able to carry out this service.
21. Capita was identified as the only supplier within the market to provide this service as they are the only supplier with proven experience and capacity necessary to meet the demands of the council.
22. The sponsoring group are of the view that Capita is the only supplier able to assist in mitigating specific programme risks sufficiently to support the service during 2011/12.
23. A detailed specification was prepared which was subsequently issued to Capita. A proposal was received in response and an evaluation carried out by the evaluation panel. Guidance was also received by the sponsoring group consisting of the Finance Director, Deputy Chief Executive and Head of Human Resources confirming this as the approach.
24. The leader of the council, under powers granted within the Local Government Act 2000, is asked to delegate this item for approval by the cabinet member for finance and resources.

## **Determining Value for Money**

25. The project team were able to determine benchmarking cost data through testing with Local Authorities who receive similar smaller scale services from market suppliers. This external cost data was validated through a benchmarking exercise with internal costs for revenues and benefits services across London.
26. Given the anticipated level of recruitment success and likely variance against the full establishment, it was necessary to ensure the contract offers flexibility to assist meeting the potential demand. This further enabled the Council to achieve economies of scale through anticipating a minimum fixed workload based on 50% for the revenues service and 40% for the benefits service being processed by the supplier. This has been guaranteed for year one and driven down the overall transaction costs.
27. The contract price is based upon a schedule of rates for the individual tasks and transactions completed and is directly linked to the volume of work passed to the supplier. This offers a high degree of flexibility in respect of both the type and profile of work passed to the supplier. This will enable the Council to respond effectively to the volume of work in progress passed back by Liberata on 31 March 2011.
28. The schedule of rates in years two and three reflects the potential reduced guaranteed volumes in those years. The Council is under no obligation to pass any work to the supplier in years two and three and this will be an operational decision following a review towards the end of year one.

## Timetable of procurement process followed

### Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward plan	January 2010
Supplier tender	
Evaluation / negotiation period	
CCRB review gateway 1/2: contract award report	16/12/10
Send to constitutional support for publication	10/01/11
Notification period	11/01/11 - 17/01/11
IDM approval	18/01/11
Send to constitutional support for publication	18/01/11
Scrutiny / call in period	26/01/11
Supplier mobilisation	26/01/11
Service commencement	1/04/11
Contract completion date	31/03/14

## KEY ISSUES FOR CONSIDERATION

### Policy implications

29. There are no major policy implications.

### Tender process

30. A specification was developed for the revenues and benefits processing capacity service against which Capita was invited to submit a formal proposal.

31. The procurement process followed a single supplier negotiation. A full tender pack, containing a specification, conditions of tendering, method statements, pricing schedule and terms and conditions, was developed for the revenues and benefits remote processing service. As a basis for the negotiation, Capita was required to submit a detailed proposal demonstrating how they would meet the requirements contained in the specification.

### Tender evaluation

32. An evaluation panel was convened and its members included the head of client services, client manager (client services) programme manager (client services) and quality manager (client services)

33. This proposal was evaluated against a weighted model of 50% price and 50% quality.

### **TUPE implications (if no TUPE implications write 'not applicable')**

34. The Council has received confirmation from Liberata that TUPE does not apply to the staff currently delivering this service, as they are part of the Barrow Shared Service Centre delivering services to a number of clients and are not dedicated to delivering the service to Southwark and would not be eligible to transfer under TUPE.

### **Plans for monitoring and management of the contract**

35. Provision for the monitoring and management of the capacity contract has been made in the transitional staffing structure that will be operational from January 2011.

36. In addition, within the revenues and benefits structure, there is a monitoring and management role which will cover the day to day management of the performance of the services provided.

37. There will be a robust governance structure in place to ensure performance monitoring takes place and issues are escalated. Performance will be monitored on a daily basis and records kept of any performance issues, issues will then be referred to Capita's client director as necessary for resolution.

38. The service specification has a clearly defined set of Key Performance Indicators measuring both the quality and capacity of the services provided. The KPIs are directly linked to a performance based payment scheme and the payment to the partner will be reduced if performance falls below the standards defined by the KPIs.

### **Community impact statement**

39. The community impact of this procurement was considered as part of the evaluation of the Capita tender submission. The service being procured is not directly customer facing, and will support the customer facing revenues and benefits services delivered through the Bermondsey, Peckham and Walworth One Stop Shops and the Customer Service Centre. Clearly defined customer service measures, in respect of both the speed and quality of response required from the revenues and benefits processing capacity partner have been included in the service specification to ensure that the service responds promptly to customer enquiries routed from the One Stop Shops and CSC to ensure that the revenues and benefits service remains accessible to all members of the community.

### **Sustainability considerations (Including Economic, Social and Environmental considerations)**

40. The capacity service will support the wider aims of the revenues and benefits service by ensuring that council tax is collected more efficiently and effectively to sustain services within the council. Processing of housing benefits within a timely manner helps to reduce rent arrears. The service will continue to support the reduction of debt in the borough by ensuring more efficient processing of housing and council tax benefit claims and more efficient collection of local revenues which supports delivery of local services.

### **Resource implications**

41. A project team exists to undertake this aspect of the transition programme. It is not anticipated there will be any further resource implications other than those identified and accounted for within the transition budget.

## **Staffing/procurement implications**

42. A project manager has been appointed for a temporary period within client services, this individual will act as the responsible person for co-ordinating service development.

## **Financial implications**

43. The programme budget already contains provision for a capacity service in 2011/12. The transition budget also made provision for the development of a service in Barrow In Furness. This element is no longer required; consequently the provision will be reallocated across the program including the capacity project. In addition the proposed service budget will allow the re-profiling of salary costs during 2011/12, 2012/13 and 2013/14 recognising the reduction in salary costs as a consequence of anticipated vacancies due to a reduction in TUPE transfers. Consequently the combination of re-profiling both transition and service costs will finance the cost of this capacity service contract as outlined below.

The following table (included in the closed report) outlines the total contract value:

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

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

44. This report seeks the approval of the Cabinet Member for Finance & Resources to the combined gateway 1 procurement strategy approval and gateway 2 contract award approval revenues and benefit processing capacity service.

45. The value of the contract is in excess of the EU threshold and is a Part B Service under the Public Contract Regulations 2006 and as such is no requirement to tender the contract in accordance with the full tendering requirements of those regulations but it is necessary for the council to comply with the general EU principles regarding transparency and non-discrimination.

46. Paragraphs 12 to 18 and 21 explain why the Report Author has concluded that that the contractor was the only provider able to deliver the service.

47. Although the use of a single supplier may make it difficult to conclude that the Council will obtain best value from the contract, paragraphs 21 set out why the Report Author concluded that the service represented value for money.

48. On the basis of the information contained in this Report it is confirmed that this procurement complies with the relevant legal requirements.

49. Pursuant to section 14 of the Local Government Act 2000 (as amended) the Leader may discharge this function and may delegate this function to a member of the cabinet. This would require a decision from the leader, prior to the decision in this report being made and in accordance with Article 6 of the constitution circulated to all members.

50. Contract Standing Order 2.3 requires that no steps should be taken to award a contract unless the expenditure involved has been approved. Paragraphs 43 and 44 confirm the financial implications of this award.

## **Finance Director**

51. This report recommends the award of the revenues and benefits processing capacity service contract to Capita. The financial implications detail the profile of these costs and confirms that they will be funded from existing and previously agreed budgets.

## **Head of Procurement**

52. This gateway 1 & 2 combined report is seeking approval to award a revenues and benefits processing capacity service contract following a single supplier negotiation.

53. Paragraph 12 confirms that this service is a new requirement for Southwark and there was some concern that a market may not be in existence. Following a soft market testing exercise it was confirmed that capacity in the market was limited and further investigation confirmed that only one provider would be able to deliver the specific requirements.

54. When conducting a single supplier negotiation it is important that the councils' requirements are clear, the proposal received meets the requirements and value for money is achieved. Paragraph 23 confirms that a detailed specification was issued and a proposal evaluated by a panel to ensure the quality standards could be met. Paragraphs 25 - 28 explain how the contract has been packaged to achieve the best deal for the council and confirms that through benchmarking with other boroughs value for money has been achieved.

55. Paragraphs 35 - 38 detail the arrangements for monitoring and managing the contract. A robust governance structure will be in place to ensure performance monitoring takes place and any issues are escalated as necessary.



## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 – Procurement strategy approval- provision of revenues and benefits back office service 29/9/09	Client Services Division, Chief Executives Department	Dominic Cain x50636
Contract Register Update		

## AUDIT TRAIL

<b>Lead Officer</b>	Dominic Cain, Head of Client Services		
<b>Report Author</b>	Helen Farrant, Project Manager		
<b>Version</b>	Final		
<b>Dated</b>	12 January 2011		
<b>Key Decision?</b>	Yes	<b>If yes, date appeared on forward plan</b>	August 2010
<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	
Head of Procurement	yes	yes	
<b>Contract Review Boards</b>			
Departmental Contract Review Board	no	no	
Corporate Contract Review Board	yes	yes	
<b>Cabinet Member</b>	yes	yes	
<b>Date final report sent to Constitutional Officer</b>			12 January 2011

## BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE

MANDATORY: Please complete the following details:

Contract Name	Remote Processing of Revenues and Benefits
Contract Description	Administration and Processing of Revenues and Benefits transactions
Fixed Price or Call Off	Call off
Contract Lead Officer (name)	Dominic Cain
Contract Lead Officer (phone number)	X50636
Department	Chief Executives Dept
Division	Client Services Division
Business Unit	Revenues and Benefits
Estimated Contract Award Date	January 2011
Supplier(s) Name(s)	Capita
Contract Start Date	1 April 2011
Contract Review Date – 18 months before initial contract end date	12 months
Initial Contract End Date	31/03/13
Contract End Date if extension options utilised	31/03/14
Number of Contract Extensions	One

OPTIONAL: If available, please complete the following details:

Services/Supplies/Works Contract – delete as appropriate. EU CPV Code – if appropriate and available	Services
SAP Vendor Number	