

<b>Item No.</b> <b>12</b>	<b>Classification:</b> Open	<b>Date:</b> May 19 2009	<b>Meeting Name:</b> Executive
<b>Report title:</b>		Revenues and Benefits Strategic Approach	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Deputy Chief Executive	

## RECOMMENDATION (S)

1. That the Executive note the existing contractual arrangements with Liberata UK Ltd for the Revenues & Benefits service have not been extended. The contract has a termination period which expires on 31st March 2011 at which time new arrangements will need to be in place.
2. That the Executive note that consideration needs to be given to what the arrangements will be following termination an alternative service needs to be arranged and that a range of options including those outlined in this report will be analysed prior to a Gateway 1 Report being presented to the Executive.
3. That the Executive agrees to receive a Gateway 1 Report outlining the preferred option for approval in autumn 2009.

## BACKGROUND INFORMATION

4. The Council let the Revenues & Benefits contract originally in 1998 to Cipfa Services Ltd (CSL) now known as Liberata UK Ltd. In 2003 the Executive approved the renewal of the contract with a 2 year rolling contract period which has been extended year on year since then. Additional efficiencies and changes to the bonus structure were included in the contract in 2007.
5. The contract consists of the administration of the Housing & Council Tax Benefits scheme, collection of Council Tax, Business Rates & Sundry debts for a number of service areas.
6. The Housing Benefit caseload is the largest in London with 37,000 claimants. The net collectable debit for Council Tax is £90m, and for Business Rates is £150m. In addition Sundry debts of £23m are billed in-year. Arrears for outstanding Council Tax currently equates to £26m, for Business Rates £23m and Housing Benefits Overpayments £12m.
7. The existing Liberata contract determines that following a decision not to renew the contract at 31<sup>st</sup> March in any year a two year transition period ensues. At the Council Assembly meeting of 28<sup>th</sup> January 2009 the Executive Member for Resources addressed members concerns on performance. The decision not to extend was taken following the partnership board on 31<sup>st</sup> March 2009; therefore the current contract will end on 1<sup>st</sup> April 2011.
8. The main contract to deliver customer services is let to Vangent. Liberata UK Ltd has a sub-contract with Vangent to deliver customer services for the Council in relation to the Revenues & Benefits element of the Contact Centre. They also oversee the provision of these services within the One Stop Shops. These parts of the service will continue under the CSC contractual arrangements for the life of the contract with Vangent regardless of the options pursued. The Vangent contract runs to 1st June 2015.

## Performance

9. Performance is outlined in the table below. It should be noted that Council Tax collection is at one of the lowest collection levels across England. In addition, although housing benefits performance has shown improvement over recent years the Audit Commission issued a report in February 2009 confirming the service as 'Fair' with uncertain prospects for improvement.

Year	C.Tax In Year Target	CTax Performance Achieved	NNDR In Year Target	NNDR Performance Achieved	Benefits New Claim Target	New Claims Achieved	Benefits Change of Circs Target	Change of Circs. Achieved
2005/6	94.0%	93.0%	98.5%	98.4%	35	41 days	16	16 days
2006/7	93.5%	92.3%	98.5%	98.6%	35	35 days	15	26 days
2007/8	93.0%	92.5%	98.5%	97.0%	29	38 days	18	21 days

## Reason for reviewing service delivery options

10. The pressures on funding arrangements for local authorities mean that Southwark faces increasing financial constraints in future years resulting in the need for a robust efficiency programme coupled with a review into how additional income can be generated. Every additional 1% that could have been collected in council tax in 2008/09 would have equated to a further £940,000 in income for the Council.
11. The Audit Commission has stated Housing Benefit performance has uncertain prospects for improvement. As this is a measurement of future outcomes for our benefit customers the Council must consider a strategy to introduce a service that is capable of delivering year on year improvements.
12. The existing funding arrangements for local authorities have meant that Southwark faces increasing financial constraints in future years resulting in the need for a robust efficiency programme coupled with a review into how additional income can be generated.
13. The Council undertook a Revenues & Benefits best value & market appraisal assessment in 2007; this resulted in a reduction in the base contract price and additional efficiencies. It would be prudent to review the existing contractual arrangements at this stage to determine whether more efficient ways of operating the service are now available to the Council.

## Service Delivery Options

14. There are a number of options to be considered each of which may provide full or partial solution for service delivery. A full options evaluation will be undertaken. All resource implications for delivery of any individual option (or combination) above will be included in the full option appraisal.
15. These will be reviewed concurrently with the understanding that a combination of options may be required to achieve an efficient service provision.

## Developing the Business Case

16. A programme team has been established including internal and external expertise, with knowledge and experience of outsourcing, procurement, shared services and market trends. The development of the Programme Plan, Governance Structure and identification of all work streams has commenced in order to meet the requirements of the whole programme and for delivery of the Gateway 1 options report. During the period between now and the production of the Gateway 1 report the team will be developing and evaluating all of the potential options. These findings will be presented within the Gateway 1 report.

17. The options appraisal will highlight the most efficient option available to the Council in terms of service delivery, customer outcomes and value for money.
18. The Council monitors and retains some operational elements of the service within the Client Services Division, the cost of the client side equates to £1.4m.
19. The Council upgraded and now has ownership of the core processing system associated with the service (i-world); this will be taken into consideration when reviewing the options.

#### **Market considerations**

20. An analysis of the market relating to potential bidders was undertaken in 2008. There are relatively few major contractors in this area and there are high barriers to entry. However, this is an emerging market for many large contractors interested in expanding the range of services they provide. The availability and suitability of likely contractors will be reviewed as part of the options appraisal process.

#### **Identified risks and how they will be managed**

21. There are significant service risks associated with changes to the service. However; an exit management strategy is contained within the existing contract to assist in the transition of the service. In addition a contingency plan has been developed to address the risk of an early exit.
22. A Transition Project Board has been set up to oversee developments in the approach to service delivery, this is chaired by the Deputy Chief Executive with service specialist support and representatives from Legal, Procurement and HR.
23. A transformation programme is currently in place to transform the customer experience for revenues & benefits. This project is addressing how to improve performance in the transition period and established better working practices for the future.

#### **KEY ISSUES FOR CONSIDERATION**

##### **TUPE implications**

24. There are significant TUPE implications with each option. These will be reviewed as part of the options appraisal process.

#### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

##### **Head of Legal Services**

25. At this stage there are no specific legal implications relating to the report. Officers in the Contracts Section of Legal and Democratic Services have been advising on the necessary processes required under the contract to bring the Revenue and Benefits contract to an end on 31 March 2011, and will continue to advise throughout the transition and termination period.
26. The nature and value of this service will require the procurement strategy for the future provision of the service to be approved by the Executive, and it is intended that a Gateway 1 report should be presented to the Executive in autumn 2009.

##### **Finance Director**

27. This report sets out clear justification on the need for a change in the way the Revenues and Benefits service is provided. The preferred option must be able to deliver improved performance, on both the customer service and revenue collection aspects of the service.

28. As stated in paragraph 11, Southwark is operating in an increasingly constrained financial environment. There is an ongoing need to find savings in the budget, alongside which we are set challenging efficiency targets by government. As such, it is crucial that in developing the options for the Revenues and Benefits service that efficiencies are sought wherever possible. The full cost of each option will need to be evaluated and reported to Executive in the Gateway 1 report; and the cost of each option, and its value for money, should be a key factor in coming to a decision on the option to be pursued.
29. There is sufficient budget held to fund the business case work in 2009/10.

## BACKGROUND PAPERS

Background Papers	Held At	Contact
<i>Revenues &amp; Benefits service contract</i>	<i>Legal Services</i>	<i>Karen Moore x57646</i>

## AUDIT TRAIL

<b>Lead Officer</b>	<i>Eleanor Kelly, Deputy Chief Executive</i>		
<b>Report Author</b>	<i>Dominic Cain/Mike Lynch</i>		
<b>Version</b>	<i>Final 1.1</i>		
<b>Dated</b>	<i>8 April 2009</i>		
<b>Key Decision?</b>	<i>yes</i>	<b>If yes, date appeared on forward plan</b>	<i>09/04/09</i>
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>			
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>	
Head of Legal Services	<i>yes</i>	<i>yes</i>	
Finance Director	<i>yes</i>	<i>yes</i>	
Head of Procurement	<i>no</i>	<i>no</i>	
Executive Member	<i>yes</i>	<i>no</i>	
<b>Date final report sent to Constitutional Support Services</b>			<i>8/05/2009</i>