

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 14 October 2013	<b>Decision Taker:</b> Cabinet Member For Finance, Resources and Community Safety
<b>Report title:</b>		Gateway 1 Procurement Strategy Approval and Gateway 2 Contract Award Approval Revenues and Benefit Processing Resiliency Service	
<b>Ward(s) or groups affected:</b>		All	
<b>From</b>		Assistant Director Revenues & Benefits & FTSS	

## RECOMMENDATIONS

1. That the cabinet member for finance, resources and community safety agrees to enter into negotiations with a single supplier through the Lambeth Council framework agreement for the provision of a revenues and benefits processing resiliency service.
2. That the cabinet member for finance, resources and community safety approves the award of the revenues and benefits processing resiliency service contract to Capita with effect from 31 October 2013.
3. That the cabinet member for finance, resources and community safety approves the council entering into an access agreement with Lambeth Council in order to facilitate access to the Lambeth Council framework agreement referred to in recommendation 1.

## BACKGROUND INFORMATION

4. In January 2011 following approval to return the revenues and benefits service back in-house a contract was awarded to Capita Business Services Ltd (Capita) to provide a processing capacity service.
5. The original purpose of the capacity contract was to support revenues and benefits for a period until the service could operate with a fully recruited and trained staffing establishment that was productive on all processes and procedures.
6. It was anticipated that the contract would be reviewed towards the end of the tenure of the contract to determine the future need within the service.
7. The reduction in government funding to Southwark in 2010 impacted on the council's overall financial position and consequently a number of departments were required to make financial savings.
8. The extent of the impact was unknown at the time other than redundancies were expected and officers would be placed in the redeployment pool. As a consequence authorisation was granted in September 2010 to recruit to just 50% of the vacancies until the full extent of the number of redeployees was known.
9. The actual effect on the number of redeployees was minimal however 5 officers

were redeployed who had identifiable trainable gaps to roles within the service.

10. Over two thousand applications were received following the promotion of 'The Big 200' campaign. Approximately one hundred and fifty candidates were shortlisted for interview.
11. The recruitment process for half of the vacant positions resulted in officers joining Southwark with effect from February to June 2011.
12. The capacity supplier provided support throughout this period to ensure sufficient resource was deployed during and after transition of the service.
13. Authorisation for a second recruitment phase was sought in September 2011 to fill the remaining vacant posts within the establishment. This was granted and a full recruitment process commenced in October 2011.
14. The response to the second recruitment campaign was significantly less than the previous stage and the calibre of applicants were not as sufficiently skilled and experienced.
15. The recruitment process resulted in twenty five vacancies filled in the period leading up until June 2012 leaving a number of posts still vacant.
16. It had been the original intention to have a full complement of staff by the second quarter of 2011/12.
17. In April 2013 a further recruitment phase took place to reduce the volume of vacant posts and ten of the posts were successfully filled.
18. The current number of vacant posts is fifteen. It is not anticipated that a further recruitment campaign will take place until such time as further information is received in relation to the government's approach to welfare reform.

### **Workload**

19. The DWP's ATLAS system (Automated Transfer to Local Authority Systems) dramatically increased the amount of information sent automatically to Local Authorities. The changes in circumstances sent electronically resulted in significant changes in benefit entitlements. Phase 1 was rolled out to all authorities on 04/07/11 and phase 2 on 27/02/12.
20. Unfortunately the number of files for both Phase 1 and 2 proved to be in excess of those expected and due to the inaccuracies of the data and quality of files received these required more resource than was originally anticipated. This has been a common theme across all authorities with many struggling to clear ATLAS files received.
21. In 2012 central government brought about large scale changes to welfare benefits with the introduction of the Welfare Reform Act. In particular it required local authorities to introduce a local support scheme with a reduction of ten percent in funding. The council introduced the council tax reduction scheme in April 2013 resulting in 18,000 residents who previously hadn't had to pay council tax responsible for payment. Furthermore, 6000 residents who previously had received some entitlement to council tax benefit saw their benefit reduced following the government's ten percent cap on subsidy. Following the changes

volumes of calls increased into the contact centre by 80% in April and volumes of documentation increased.

22. In addition to the data cleansing projects the implementation of a number of the Welfare Reform central government changes resulted in further one off projects, these were undertaken by Capita.
23. The overall impact resulted in approximately 21% increase of incoming volumes of work.
24. Due to the issues highlighted above the reliance on Capita during the first two years exceeded original estimates.

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

25. The continued provision of a processing capacity partner for the revenues and benefits service remains a necessity for a number of reasons;
26. In 2012 the government announced a number of key changes to the existing welfare system in its agenda for welfare reform. These included almost immediate changes such as rent restrictions, room size criteria (bedroom tax) and the benefit cap. All of which required planning and implementation within 2012/13. These changes have and will continue to place increased pressure on this service as well as others within the council.
27. The government also announced its intention to implement universal credit and pay claimants directly. Long term implications to councils could mean the administration of Universal Credit being met by the DWP and not council staff.
28. The service agreed in partnership with Family Mosaic Housing Association to act as a demonstrator pilot for the direct payment scheme. The scheme which has been operational since June 2012 has determined the impact of assistance required from customers to aid better financial management.
29. It has also determined customers' propensity to pay following implementation. Initial results have shown a greater requirement on local authorities to assist customers and a reduction in the level of rent received (10% reduction in rent received) – both of which have an impact on resources. Whilst the government intended all new claims to fall into the new arrangements with effect from October 2013 they are now stating that there will be a further phased approach which will impact on local authorities over a greater period of time (potentially from April 2014-2017).
30. Council tax reduction scheme (CTRS) – as stated above the council implemented the new CTRS scheme in April 2013. Whilst it is still too early to determine workload implications the service has been impacted in two key areas:
  - **Customer Service** - Additional pressure has been placed on both the Contact Centre which transferred back in-house with effect from the 1 June 2013 and the One Stop Shops. Following the closure of Walworth One Stop Shop an additional volume spike has been experienced in calls and footfall in Peckham One Stop Shop. The volume increase has resulted in a higher level of documentation being passed to the back office for resolution. Alternative accommodation is available for customer contact within Walworth and therefore the operational impact remains under review.

- **Enforcement** - the other area experiencing the effects of the change is the recovery of council tax. To Date over 20,000 letters have been issued to customers reminding them of their duty to pay outstanding council tax. It is anticipated that arrears of Council Tax will result in overall workload increases for the service. Currently a third of those affected by the changes following the introduction of CTRS and subsequently billed have made no payment at all.

31. Given these changes all local authority revenues and benefits services are seeing a need to supplement existing structures with additional resources. The demand for good experienced officers currently outweighs supply and it is anticipated this position will continue throughout the next two to three years. Recruitment agencies are confirming this trend and the subsequent increase on day rates for these officers. Therefore, given the forthcoming implementation of Universal Credit it is unlikely that Southwark would be able to attract full time employees however, there is a potential that we could lose experienced full time employees to the contractor market given the financial rewards.
32. The existing vacancies within the revenues & benefits service are currently at fifteen FTE's. The majority of these are within the Housing & Council Tax Benefit service primarily due to the changes outlined. It is anticipated that the capacity provider will assist in meeting the demand for resources.
33. The capacity provider will cover not just the fifteen processing vacancies but also to backfill gaps created when permanent officers are diverted into key welfare reform projects throughout the contract period.
34. The government announced changes to funding arrangements for local authorities in 2012/13. The business rates retention scheme came into effect on the 1 April 2013. The changes give authorities the opportunity to retain 30% of the locally collected business rates. The proposals are complex however it is clear that local authorities should ensure that business rate services are efficient collectors of the rate. Southwark's proportion of income to be received from the changes equates to 30% and therefore the service structure will be reviewed to determine whether additional resources will bring in additional income. In August 2013 PWC issued a report following a review of the structure and management will review its findings to determine whether changes are required.

### **Market considerations**

35. 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 period of welfare reform and planned vacancies within the service.
36. The council informally reviewed the current supplier market for provision of revenues & benefits resiliency services that determined the following:
  - There remain limited suppliers in the market place with sufficient capacity to meet the requirements of the contract.
  - Capita is a leading supplier in this field and has multiple contracts across the country.
37. Capita currently provide the capacity contract which has been of a high standard

and met the demands of the authority during the transition period from Liberata to the in-house solutions.

38. An established successful partnership between Capita and the revenues and benefits service already exists.

**Supplier capability**

39. There remain a number of additional advantages of progressing a capacity partnership with Capita, these include:

- 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.
- Capita are now the Council’s strategic information technology managed service providers.
- Capita have expertise that will continue to support the council in providing support for one-off jobs including the single occupancy discount and student discount review, and any additional reviews that may be necessary.
- 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.

**KEY ISSUES FOR CONSIDERATION**

**Options for procurement route including procurement approach**

40. The table below sets out the options available

No.	Option	Advantages	Disadvantages	Decision
1	Do Nothing	None	The council would not be able to meet service requirement.	Not recommended.

No.	Option	Advantages	Disadvantages	Decision
2	Competitive Tender	Would allow the market to be tested.	<p>Longer procurement timeline.</p> <p>Lengthy and costly</p> <p>Limited market available to respond.</p> <p>Possibility of ending up with the same supplier given the marketplace with additional procurement cost</p>	Not recommended.
	Lambeth Procurement Framework: Revenues, benefits and customer services (RBCS) commissioning programme services contract for the provision of RBCS services	<p>Established framework with neighbouring authority. Opportunities for sharing services</p> <p>Shorter procurement route.</p> <p>Incumbent provider retained reducing cost of change</p> <p>Guarantees continuity of service.</p> <p>Excellent working partnership already in place</p> <p>Competitive price comparable to a 10 year deal (see point 51)</p>	Limited up to date market testing	Recommended
4	Undertake single supplier negotiation with incumbent provider	<p>Shorter procurement route.</p> <p>Guarantees continuity of service</p>	No market test.	.Not recommended

### **Proposed procurement route**

41. It is proposed to procure additional work of the same nature pursuant to the framework agreement between Lambeth Council and Capita during the period to 31 March 2017.

### **Identified risks for the procurement**

42. The identified low risk is other providers may feel they are able to provide this service which, in volume, will be slightly less than the original contract. However as stated before, our initial enquiries indicate Capita remains the only provider capable of delivering a flexible service with a sufficient allocation of resource.

### **Value for money**

43. The council has reviewed the existing rates chargeable to Lambeth under the framework and reviewed these in the context of the proposed Southwark pricing model and negotiated charges for this contract.

### **Key /Non Key decisions**

44. This report is a key decision

### **Policy implications**

45. The provision of an effective capacity partner will ensure both council tax and housing benefits receive the administration support as and when required.

### **Procurement project plan (Non Key decisions)**

<b>Activity</b>	<b>Completed by/Complete by:</b>
Forward plan	October 2013
DCRB review gateway 1/2; Contract award report	5 September 2013
CCRB review gateway 1/2: contract award report	12 September 2013
IDM approval	1 October 2013
Send to constitutional support for publication	30 September 2013
Scrutiny / call in period	1 October 2013
Supplier mobilisation	30 October 2013
Service commencement	31 October 2013
Contract completion date	31 March 2017

### **TUPE/Pensions implications**

46. There are no specific TUPE/Pension implications.

### **Tender process**

47. A specification was developed for the revenues and benefits processing capacity service against which the framework agreement was evaluated.
48. A number of documents were created including a specification, conditions of tendering, method statements, pricing schedule and terms and conditions for the revenues and benefits remote processing service. As a basis for the negotiation, within the parameters of the framework agreement Capita was required to submit a detailed proposal demonstrating how they would meet the requirements contained in the specification.

#### **Development of the tender documentation**

49. Negotiations have taken place with Capita in line with the terms and conditions of the framework agreement.

#### **Advertising the contract**

50. Not relevant.

#### **Tender evaluation**

51. The approach to procurement via the Lambeth Council Framework has been reviewed by Legal Services and senior managers from within the service area.
52. This proposal was evaluated against the existing contractual agreement and changes associated with the framework.

#### **Community impact statement**

53. 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 access to a capacity partner is required to ensure payments of the housing benefit are received on time thereby reducing the potential for homelessness with the community.

#### **Economic considerations**

54. The efficient and effective collection of council tax revenue supports the economic climate within Southwark. 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 help sustain services within the council.

#### **Social considerations**

55. The Capita contract operates with offsite processing support delivered from their centre of excellence in Blackburn. Capita have confirmed whilst the support is provided outside of the Greater London area staff are paid more than the London living wage.
56. In terms of the service provided, the fast and efficient processing of housing benefits ensures rent rebate is on rent accounts timely reducing the need for recovery action and ultimately possession proceedings. Council Tax administration ensures accurate billing and collection and recovery of debt whilst maintaining links to encourage financial inclusion from those at risk of falling into

debt.

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

57. It is anticipated that the current contract monitoring arrangements will remain in place.
58. Within the revenues and benefits structure, there is a monitoring and management role which has covered the day to day management of the performance of the services provided which will continue.
59. There is a robust governance structure in place to ensure performance monitoring takes place and issues are escalated. Performance is being 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.
60. The service specification clearly defines the 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.
61. The service ensures a robust approach to quality assurance is maintained. In the main performance is consistent however more importantly where there are any issues they are resolved quickly and efficiently. Performance is broadly in line with the performance of the in-house service.

### **Staffing/procurement implications**

62. There are no staffing implications as Capita resources will cover vacancies and one off requirements. There are no procurement implications as these are covered within existing resources.
63. The contract will continue to be managed within existing resources and there are no further implications.

### **Financial implications**

64. A full budget is available in 2013/14 to fund the proposed financial obligations under the contract.

### **Legal implications**

65. Please see concurrent from the Director of Legal Services

### **Consultation**

66. There are no specific implications

### **Other implications or issues**

67. None

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

68. This report is seeking to formalise a previous procurement strategy decision to

use a third party framework arrangement and to approve the award of a revenues and benefits processing resiliency service contract.

69. With a contract of this size and nature, the EU regulations apply. Paragraph 41 outlines the procurement options that were considered for this contract. The procurement route followed is an EU compliant route and satisfies the requirements of the council's contract standing orders
70. The Lambeth framework arrangement is with Capita which also is the council's current provider. The framework arrangement allows for terms and conditions to be negotiated through its direct call off process. Through this process offices have managed to secure rates in line with those currently being paid. Paragraph 44 confirms that value for money is being achieved
71. Paragraph 37 of the report highlights that the performance of this provider has been good and paragraph 39 outlines the benefits of having further contractual arrangements with this provider
72. The monitoring and management arrangements for this service have proved effective and will continue throughout the life of this contract.

#### **Director of Legal Services**

73. This report seeks the approval of the cabinet member for finance, resources and community safety to formalise his prior agreement to enter into negotiations with a single supplier through the Lambeth Council framework agreement and that the cabinet member approves the award of a revenues and benefits processing resiliency service contract to Capita Business Services Limited for a contract period between 31 October 2013 and 31 March 2017. As required by CSO 3.4, the report also seeks approval to enter into an access agreement with Lambeth Council and Capita Business Services Limited to enable the council to use the framework agreement
74. Given the value of the contract, the decision to award it is reserved to the relevant cabinet member under contract standing orders.
75. The scope and value of the contract is such that it is also subject to the procurement requirements of the EU Regulations, and as such should be subject to the full tendering requirements of those regulations. However the Lambeth Council framework agreement (through which this appointment has been procured) was set up following an EU compliant tendering process and therefore procuring through this framework satisfies those EU requirements. The council, for the reasons set out in the report considers that contracting with Capita through the Lambeth Council framework agreement will provide best value for money and provide continuity of service.
76. Certain requirements of the EU Regulations will still apply to the procurement of the contract through the Lambeth Council framework. Client officers have sought and received advice on the extent that Lambeth Council has complied with the EU Regulations in procuring the framework agreement and the extent to which the council would comply with the EU Regulations in entering into a contract through the framework agreement. The risks to the council in utilising the framework agreement are considered to be low and in any event are considered to be outweighed by the benefits of appointing Capita Business Services Limited through the framework agreement.

77. Contract Standing Order 2.3 provides that no award may be made unless the expenditure involved has been approved. Paragraphs 65 of the report confirm how the contract is to be funded.

**Strategic Director of Finance and Corporate Services**

78. This report seeks lead member approval to award a revenues and benefit processing resiliency service contract. The financial implications are set out in paragraphs 65.

79. The strategic director of finance and corporate services notes the forecast cost of the service over the future years of this contract, which will need to be identified during the budget setting process.

80. It is expected that robust monitoring arrangements will be in place to ensure this contract delivers to the expected standard. Officer time to implement this framework will be contained within existing resources.

**BACKGROUND DOCUMENTS**

<b>Background Documents</b>	<b>Held At</b>	<b>Contact</b>
Quality monitoring reports	Revenues and Benefits Department, 1 <sup>st</sup> Floor, 160 Tooley Street, London SE1 2QH	Angelo Iuliano 02075253137
Public Contracts Regulations 2006	Legal Services, 2 <sup>nd</sup> Floor, 160 Tooley Street, London SE1 2QH	Gareth Rees 02075250832

**APPENDICES**

<b>No</b>	<b>Title</b>
None	

## AUDIT TRAIL

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<b>Report Author</b>	Fiona Ives, Senior Project Manager, Revenues and Benefits Service	
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<b>Dated</b>	24 September 2013	
<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>
Head of Procurement	Yes	Yes
Head of Specialist Housing Services	No	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		14 October 2013