

Item No.	Classification: Open	Date: 2 March 2016	Meeting Name: Strategic Director of Finance & Governance
Report title:		Gateway 2 Contract Award Approval Revenues & benefits processing resilience procurement	
Ward(s) or groups affected:		All	
From:		Director of Exchequer Services	

RECOMMENDATION(S)

1. That the strategic director for finance and governance approves the award of the revenues and benefits processing resilience service to Capita Business Services Ltd. The contract is for a period of two years from 1 April 2016 until 31 March 2018 and contains an option to extend for a further one year. The total contract value including the extension period is £1.9m.

BACKGROUND INFORMATION

2. 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.
3. 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 and spanned the period 1 April 2011 to 31 May 2014. This partnership proved to be extremely successful and played a positive part in the continuous improvement in performance from the revenues and benefits service. This culminated in the service being IRRV award winners in both 2014 and 2015, a recognised measure of success within the industry.
4. In June 2014 the council entered into single supplier negotiations with Capita for the delivery of a revenues and benefits processing resilience service for a period of 22 months commencing on 1 June 2014 which allowed the service to determine the level of staffing requirement following the implementation of Universal Credit (UC).
5. The initial DWP timescale for UC full implementation was by the end of 2016/17 therefore by April 2016 it was felt the council would have a better idea on the long term impact on resources within the Housing Benefit service.
6. Whilst the DWP has subsequently confirmed that Southwark will be at the forefront of implementation within London from October 2016 the scale and effect of this remains unknown.
7. A Gateway 1 report setting out the strategy for the procurement of the processing resilience contract was approved on 6 November 2015.

8. The strategy set out in the gateway 1 report recommended that the approach to procurement should be through single supplier negotiations with the incumbent processing resilience provider (Capita Business Solutions Ltd).

Procurement project plan (Key Decision)

9. The proposed timetable for delivery of the contract is set out as detailed below:

Activity	Completed by/Complete by
DCRB review gateway 1	01/10/15
CCRB review gateway 1	15/10/15
Approval of gateway 1 procurement strategy report	6/11/15
Implementation of Gateway 1 decision	6/11/15
DCRB gateway 2	28/01/16
Approval of gateway 2	11/02/16
Contract award	31/03/16
Contract start date	01/04/16
Contract end date	31/03/18

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

10. This procurement will deliver a demand led processing resilience contract for the revenues and benefits service.
11. The approved procurement approach provides the council with a solution that covers the period of uncertainty around the UC rollout timetable.
12. This procurement will ensure stability and maintain continuity of service during which time the council can review the medium term strategy for the requirements for a resiliency service post April 2019.
13. This procurement will also deliver a cost reduction over the life of the contract (based on a reduction in transactional cost). This figure is based on an estimated service requirement over the initial two years of the contract.
14. There are no volume guarantees with this contract so it gives the council total flexibility to draw down as and when the service demands require.

Advantages of existing supplier

15. Throughout the period of the existing contract the council has continued to work with Capita and has developed systems and processes that have been responsive to the changing demands on the revenues and benefits service.
16. The council will continue to recognise significant additional positive outcomes from working with Capita as the resilience provider, these include:
 - Access to key expertise across both service streams.
 - Capita have expertise in both legislation and best practice, this contract would enable the council to be at the forefront of key customer service developments.
 - The proposed solution enables the council to review its medium term strategy for a resilience partner over the next few years.
 - Given the longer term strategy to procure via a competitive tender this interim solution allows the service to maintain performance during this period. To change the provider during this short interim period would add significant risk to performance which has continuously improved over the past three years.

Policy implications

17. An effective resilience partner is necessary to support the wider aims of the revenues and benefits service including reducing worklessness in the borough by ensuring more efficient processing of Housing Benefit and Council Tax reduction claims.
18. The service provided will assist the council in achieving the fairer future principles by ensuring fast and efficient processing of Council Tax and Business Rates thereby maximising income for the council.

Tender process

19. Single supplier negotiations have been carried out with Capita Business Services Ltd and due diligence been carried out by the revenues and benefits operation team. A specification was developed for the revenues and benefits processing capacity service against which Capita was invited to submit a formal proposal.

Tender evaluation

20. A project board was convened to provide the governance for the negotiations and sanctioned the proposal received from Capita which identified cost savings detailed in the closed report.
21. The board focused on two key areas for evaluating the response to the specification, quality and cost.
22. The board recognised that quality has consistently improved over the life of the contract to date. The proposal sought to strengthen existing quality measures and maintain quality at the same levels of full time staff.
23. The council was presented with a reduced transactional cost associated with individually processed items and therefore an overall reduction in price.

Plans for the transition from the old to the new contract

24. It is anticipated there will be a seamless transition as the service provider is the same. As a result there will be minimal impact on our vulnerable cases.

Plans for monitoring and management of the contract

25. The revenues and benefits service already monitors the day to day performance of Capita. No additional resources are required as a consequence of this new contract.
26. In addition, within the revenues and benefits structure, the Revenues and Benefits Operational managers have overall responsibility for the monitoring and management of the day to day performance of the services provided by Capita.
27. A robust governance structure is already in place to ensure:
- KPIs are being delivered
 - Performance is delivered against specification requirements
 - Quality monitoring of performance and benchmarked against internal resources
 - Management of resource allocation
28. A formal contract review of performance will take place on a monthly basis and any issue that requires escalation will be referred to Capita's Client Director as necessary for resolution.

Identified risks for the new contract

	Risk Identification	Likelihood	Risk Control
R1	Contract award Delayed	Low	Strategic director of finance and governance could extend existing contract to cover any shortfall to enable procurement process to complete
R2	Service disrupted	Low	Transition to new contract will not require any service operational changes and which mitigate any risks of disruption

Community impact statement

29. 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 a flexible processing resilience partner will assist the council in ensuring payments of housing benefit are received on time thereby reducing the potential for homelessness within the community.

Economic considerations

30. The contract value will be for up to a maximum of £1.9m based on a negotiated reduced price as outlined above.

31. The efficient and effective collection of council tax revenue supports the wider aims of maximising income collection for Southwark. The resilience 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

32. The contract operates with offsite processing support delivered from Capita's centre of excellence in Blackburn. Capita have confirmed that, whilst the support is provided outside of the Greater London area, staff are paid more than the London living wage.
33. Council Tax administration ensures accurate billing, collection and recovery of debt whilst maintaining links to encourage financial inclusion from those at risk of falling into debt.
34. Maintaining efficient performance in the processing of housing benefit assists in ensuring tenants can meet their rental liability in a timely manner preventing the need for recovery proceedings.

Environmental considerations

35. The revenues and benefits service minimises the use of paper through provision of a document imaging system. It is anticipated that the council's supplier would continue to make use of this facility.

Market considerations

36. The gateway 1 report outlined the considerations of the current uncertainty as to the future requirements of such a contract and the potential for significantly reduced volumes over the next 12 to 18 months and recommended single supplier procurement be adopted.

Staffing implications

37. 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.
38. It is anticipated that the contract resourcing requirements will be met within existing resources.

Financial implications

39. The allowed contract spend associated with this procurement is up to £1.9m for the provision of services over a 2 plus 1 year contract. The cost will be met from the existing resilience budget of £525,389 for each year of the contract.
40. It is difficult to estimate the expenditure profile for the life of the contract other than to say it is anticipated that volumes will reduce significantly given the current thinking on UC roll out.

41. Any additional costs required over and above the £1.6m budget (£525,389 x 3 years) will be met from future savings that accrue within the revenues and benefits divisional budget as a result of staff leaving and not being replaced and additional funding received from the DWP; £239,451 has already been received for 'new burdens' to cover the on-going implementation of welfare reform.
42. The flexibility of this contract and the contract value will allow the service to draw down additional resources over the next 2 to 3 years as and when required and subject to budgetary constraints.
43. The council has negotiated a reduction in the processing transaction cost for each component area.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

44. This report is seeking approval for the appointment of Capita Business Services Ltd following single supplier negotiations.

The report details the requirement for revenues and benefits processing resilience across the councils. Permission to enter into negotiations with Capita was approved through a Gateway 1 report in October 2015.

Details of the negotiation and how the proposal was evaluated are provided in the closed report.

With the existing provider continuing to deliver these services, there will be no major transitional issues that could impact on vulnerable users.

Paragraphs 25 to 28 outlines the monitoring and management arrangements that will continue to be in place.

Director of Law and Democracy

45. This report seeks the approval of the strategic director for finance and governance to the award of the contract for revenues and benefits processing resilience service to Capita.

The nature and value of these services are such that they are subject to the tendering requirements of the Public Contracts Regulations 2015. Regulations 32 permits the use of the negotiated procedure without prior publication. As agreed by the director of finance and governance in the Gateway 1 report, the council entered into single supplier negotiations with Capita.

Contract Standing Order 2.3 requires that no steps may be taken to award a contract unless the expenditure involved has been included in approved estimates, or otherwise approved by the council. Paragraphs 39 – 43 confirm the resource implication for this appointment.

Strategic Director of Finance and Governance (F&G15/016)

46. The financial implications in paragraphs 39 to 43 are noted. It is observed that the total cost of the contract over three years, if the possible one year extension is applied, will be up to £1.9m. This will be funded partly from the existing resilience budget, with the remainder coming from funds received from the DWP and future savings within the division.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the Council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature Date 14-3-16

Designation STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Title of document(s)	Title of department / unit address	Name Phone number
Gateway 1 Report Revenues & benefits processing resilience procurement	Finance & Governance Exchequer Services	Fiona Ives 50115

APPENDICES

No	Title

AUDIT TRAIL

Lead Officer	Dominic Cain, Director of Exchequer Services
Report Author	Fiona Ives – Systems, Improvement & Development Manager
Version	Final 2
Dated	2 March 2016
Key Decision?	Yes

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	N/A	N/A
Cabinet	N/A	N/A
Date final report sent to Constitutional/Community Council/Scrutiny Team		