

Subject: Revenue, Benefits and Customer Services Contract **Status:** FOR PUBLICATION

Report to: Overview and Scrutiny
Cabinet

Date: 20 July
2 August

Report of: Deputy Chief Executive

Portfolio

Holder: Cabinet Member for Customer Services and E-Government

Key Decision: YES

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

- 1.1 This report seeks approval to enter into a ten year contract with Capita for the delivery of the Borough Council's Revenue, Benefits and Customer Contact Services.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following strategic objectives:
- *Improvement* – the continuous provision of high quality public services built upon the foundations of Finance, Risk, Performance, Procurement and Human Resources Management
 - *Customers* – being responsive and proactive to meet the needs of all our customers (i.e. 'Putting Customers First')
 - *Partnerships* – increasing our capacity to deliver through effective partnerships.

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 It is doubtful the council will be able to continue to sustain long-term improvements without the successful delivery of a partnership approach.

- 3.2 In terms of ensuring the partnership with Capita delivers Rossendale's priorities a robust Service Assurance team has been developed whose role amongst other things will be to ensure the effective monitoring, evaluation and progress reporting on performance.
- 3.3 The level of underinvestment and risk to the Borough Council's current financial position will make the achieving of efficiencies difficult and therefore presents a risk to the council.

4. BACKGROUND AND SOLUTION

- 4.1 As members will be aware, over the last couple of years a number of service delivery options have been explored in relation to this area of service. The preferred solution based on legal advice was to conduct an open market approach.
- 4.2 The Council therefore conducted a procurement programme in accordance with EU rules and regulations. This resulted in a robust tender evaluation process which involved members, trade union, officers and also a representative from another district council to assist with external challenge and scrutiny. The panel assessed three tenders against the following criteria (in no particular order):
- Supplier capacity and capability
 - Overall price
 - Achievement of performance criteria, levels and standards
 - Delivery of service sustainability
 - Investment in service; service development
 - Equality and diversity
 - Adequate level of insurance
 - Supports Rossendale Borough Council's Corporate Improvement Plan
 - Compliance with code of practice on workforce issues.
- 4.2.1 Capita's Solution satisfied the Councils requirements for the delivery of its Revenues, Benefits and Customer Contact Services and they were ranked highest amongst the three suppliers. The solution in particular meets three key corporate objectives and will assist Rossendale in fulfilling the aims and objectives as detailed in the tender documentation.

- 4.3 **Aims and Vision of the Revenue, Benefits and Customer Services Project**
- 4.3.1 *'The aim and vision of this contract is to put customer's first and to transform access to public services making them more available, effective, efficient and joined up. Technology will ensure that citizens' service needs and enquiries are resolved quickly, to a consistent level of quality and, in the majority of cases, at the first point of contact. This will be regardless of who delivers that service or whether that service is provided face-to-face, over the telephone or via the internet.'*
- 4.4 This contract will ensure the effective delivery of housing and council tax benefits, collection of local taxes and the management of all council-related queries via telephone and in face-to-face circumstances for all council departments via the one stop shop and council switchboard.
- 4.5 It will enable the development of new arrangements for the provision of face-to-face contact on council premises and an integrated telephone service, supported by a responsive and up-to-date IT system with document imaging capabilities. A document imaging system is not currently in place but it will be a requirement of this contract that this is introduced and this is reflected in Capita's and the Council's implementation plan.
- 4.6 In addition, the telephony and contact services will work within the context of a wider shared services contact centre (Contact Lancashire) managed by Lancashire County Council.
- 4.7 The contract will also include the investigation of benefit fraud, including the application of sanctions (subject to the approval of the Council's authorised officer) and identification of controls to reduce the risk of benefit fraud. It will handle all arrangements for the billing, collection and recovery of local taxes and recovery of housing benefit debt. It is envisaged the full migration of all customer queries, ie in relation to planning or environmental issues etc will be achieved within 12 months as part of Rossendale Borough Council's future change programme. This will be the subject of a future report to members.
- 4.8 Capita's proposal is built on the principle of proven expertise and the contract will:
- Enable the Council to continue to input and support the Lancashire Shared Services model
 - Maintain and continuously improve front line customer services via the One Stop Shop.
 - Revitalise the business critical ICT environment that underpins service delivery in this area and enable ongoing improvements, ie introduce document imaging.
 - Back office functions will re-locate to Capita's Blackburn Business Centre.

- Telephone calls in relation to revenue, benefits and ultimately the switchboard will transfer to a state of the art call centre operated by Capita.
- Deliver mobile working in the areas of revenue and benefits to the benefit of Rossendale's citizens.

4.9 **Key Timescales**

4.9.1 Subject to member approval and completion of the commercial and contractual negotiations, it is envisaged the contract will commence in September 2006.

4.9.2 The business transformation plans which will include the relocation of staff to Blackburn and the transferring of calls to Capita's call centre will be occur after adequate testing and effective communication plans are in place. The strategic board detailed below will oversee the change programme and future performance management of the contract.

4.10 **Governance**

4.10.1 Good and effective partnership governance is essential and the strong relationship it forges will enable issues to be resolved thus creating a thriving and dynamic working environment. It is planned to establish the following key board structures:

- Strategic Partnership Board who will meet quarterly and will comprise members, community stakeholders and senior officers. The aim of the board will be to strategically oversee the contract and agree future change plans.
- Operations Board who will meet once a month and will facilitate effective operational performance and monitor operational performance. The operational board will comprise officers from Capita and the Council.

4.10.2 In addition to the above governance structure Rossendale's Service Assurance Team will be working on a day to day basis with Capita and they will be responsible for ensuring a quality assured service is delivered and will generate performance management reports for members.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

- 5.1 This contract represents a major financial commitment for the Council, amounting to c£13m over the ten year life of the contract. The annual cost implication are summarised in the table below:

	Annual Costs £000	One Off Costs Related to Document Management £000
Unitary Charge	1,252	300
Available Resources		
Revenue Budget	1,282	
DWP Grant		200
RBC Change Management Resource		100
Free Resources	30	0
Less: Service Assurance Team Costs approved as part of the budget	-20	
Revenue Saving	10	

- 5.2. The revenue saving, in terms of a budget reduction, is relatively small. However, this needs to be seen against the cost envelope, which excluded £146,000 of management costs which the contractor will still need to incur in some form and which have been retained in order to ensure that the Council has a robust client side to manage this critical contract. Similarly all central costs have been excluded from the cost envelope and have been absorbed by the contractor. This includes areas such as accommodation, elements of IT support and so on. Thus it can be demonstrated that there is a saving of at least £186,000 per annum in the cost of direct service delivery that has largely been reinvested in capacity which will benefit the Council's longer term strategy for commissioning services.
- 5.3. In addition to the cash savings identified above the redirection of resources from back office to front office by the contractor will as indicated above generate savings which will count against the Council's Gershan target.
- 5.4. The indexation methodology within the contract ties annual cost increase to the retail prices index, rather than an index weighted between pay and prices. This is beneficial to the Council and based upon current levels of pay and price inflation will save around £5,000 a year or £50k over the life of the contract.
- 5.5. No contract of this sort is without an element of financial risk and there will be cases where a change control within the contract results in an additional cost. The question to ask is whether these circumstances are likely to be more or less frequent than if the service were managed in house. Based

upon the information available the likelihood seems to be that such cases will be no more frequent than before and probably less frequent given the greater resilience built into the service, for example in dealing with long term sickness or maternity leave situations.

5.6. The “gain sharing” or incentivisation mechanism within the contract is still to be formally defined. However, the broad approach here is to share the benefits of performance improvement between the Council and the Contractor. Thus there will be a revenue benefit to the Council. Given the recent changes in the grant regime for the Benefits Service the opportunities for such incentivisation are somewhat reduced, but these tools will be built in to the contract in order to provide levers to the Council to improve performance as rapidly as possible.

5.7. The introduction of the Document Imaging System is largely funded through a specific grant from the Department of Work and Pensions to support this project. The balance will be found from the Council’s earmarked reserves, and a recommendation seeking approval for this is included in this report.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

6.1 The project has been advised and supported by external solicitors in relation to procurement regulations, which have ensured all proceedings have been conducted in accordance with the EU Service Directive. In addition external legal support is being used to ensure the Capita contract is robust and meets the needs of the Council.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

7.1 Staff who currently work within the revenue, benefits and customer contact areas (customer contact for this purpose is defined as those staff working on the switchboard and in One Stop Shop) are subject to TUPE (Transfer of Undertakings - Protection of Employment) and this is being undertaken in accordance with TUPE guidelines.

7.2 Capita are seeking Admitted Body Status to Lancashire's Pension Scheme which is the preferred option of the trade unions.

8. CONCLUSION

8.1 Following a competitive procurement conducted in accordance with the Negotiated Procedure under the EC Services Directive, as implemented by UK Public Services Contracts Regulations 1993, Capita have been identified as the most economically advantageous supplier of the Revenues, Benefits and Customer Services in partnership with Rossendale Borough Council.

9. RECOMMENDATION(S)

- 9.1 For members of Overview and Scrutiny to note report and that the following recommendations will be included in the report submitted to Cabinet.
- 9.2 Approve the negotiations which have taken place between the Council and the Preferred supplier, Capita.
- 9.3 Approve Rossendale Borough Council entering into partnership with Capita for the provision of the Revenue, Benefits and Customer Contact Centre for a period of 10 years.
- 9.4 That the Chief Executive in consultation with the Leader of the Council be authorised to agree any financial or contractual issues which are required to be settled before contract completion.
- 9.5 That Cabinet authorise the release of up to £100k from the Council's earmarked reserves which represents a contribution towards a document imaging system which forms a part of the contract.

10. CONSULTATION CARRIED OUT

- 10.1 **Stakeholder engagement** -The council identified all key internal stakeholders and their respective interests in the project, initially through a Stakeholder Workshop on 20 October 2005. The stakeholder needs were incorporated into a Communications plan and stakeholders have been made aware of the project's progress.
- 10.2. The Communications plan includes:
- A list of all stakeholders, appropriately grouped
 - Analysis of influence and impact for each stakeholder group
 - A Stakeholder Map showing the different stakeholder interests in the programme
 - A description of how the programme engages with all stakeholders including mechanisms for encouraging, receiving and responding to feedback from stakeholders
- 10.2 **Steering Group** - A project steering group comprising members, trade union and staff representatives have met throughout the life of the project. One of the key roles of the group was to oversee the project plan ensuring it was on time and within budget.
- 10.3 **Staff Consultation** - Regular briefings have been held with staff throughout the life of the project ensuring up-to-date information and effective communication. More recently a staff working party has been formed to work with the Council and Capita thus ensuring all human resource issues are dealt with correctly and in accordance with TUPE guidelines.

10.4 **Future Consultation by Capita** - As part of the Governance arrangements mentioned above any developments to the way services are delivered will be discussed with all who will be affected by them to ensure that the improvements envisage are real and deliverable. Capita are very much aware of the need to ensure service continuity and will carry out impact assessments at key stages to ensure they meet this goal thus ensuring the needs and views of Rossendale's citizens are included. A number of mechanisms will be used over the forthcoming months to ensure any changes in the way services are delivered are done so effectively and having taken account of equality impact assessment, ie

- customer focus groups will be used
- local surveys, ie via the one stop shop

10.5 All equality impact assessments will be monitored by the Council's Service Assurance Team and reported to the appropriate board.

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Background Papers	
Document	Place of Inspection
Revenue Benefits and Customer Contract Services Tender Documentation	All can be inspected at the Futures Park offices.