

Cabinet Member Delegated Decision 16 October 2017

Report title: Revenue, Benefits and Customer Services Contract Extension & Variation

Wards: All

Portfolio: Councillor Imogen Walker, Deputy Leader of the Council (Finance and Resources)

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Report summary

This report sets out the Council's intention to exercise the option to extend its contract with Capita Services from 2021 to 2026, which was originally let in 2011 and proposes to vary the contract to include the Housing Call Centre from April 2018.

The services included in the contract are business rate, council tax and customer services.

Finance summary

Contract extension

The cost of the base Capita contract in 2016/17 was £5.4m. Following negotiations, Capita have reduced the contract price from 2017/18, with financial savings of up to £1.5m per annum by 2021 and an annual contract price of £3.9m (excluding the additional housing services below).

Housing Call Centre

Currently the annual cost for year five of the contract with GDIT is £1,600,000. Migrating this to the Capita contract would reduce this by approximately £460,000 per annum. This will deliver expected savings of £1,800,000 up to 2021.

The extension and variation of the housing call centre delivers a saving of £1,960,000 per annum

There are no capital costs involved, all costs are met through the call centre budget with the Housing Revenue Account (HRA).

The savings stated above are not dependent on reducing service levels or reducing call volumes, this has been enabled through Lambeth and Capita's continued focus on efficiency savings through enhancements such as automation. The savings are dependent only on extending the Revenue, Benefits and Customer Services 2011 contract to 2026 and moving the Housing call centre activity into the contract. Mechanisms are in place to deliver future savings in addition to those stated as call volumes reduce. In addition, savings will be re-profiled in 2021 through a mandatory Value for Money (VFM) review built into the contract extension.

Recommendations

1. To extend the Revenues, Benefits and Customer Services contract with Capita Business Services from 2021 to 30th November 2026, at a total cost of £25.65m, realising an additional £1.5m savings per annum by 2020/21. The contract changes to enable these savings are to come into effect from 1st November 2017, as set out in 2.5 and Part II.
2. To vary the Revenues, Benefits and Customer Services contract with Capita Business Services to include the Housing Management (HRA) call services from 1st April 2018 to 30th November 2026 at a cost of £1.14m per year (£9.88m across the term), delivering annual savings of £0.46m.
3. In light of 1 and 2, agree the budgeted contract cost of £31.4m from 1st December 2021 to 30th November 2026.

The accompanying part II report is exempt from disclosure by virtue of the following paragraphs of Schedule 12A to the Local Government Act 1972:

Paragraph 3: Information relating to the financial or business affairs of any person (including the authority holding that information).

Paragraph 5: Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

1. **Context**

1.1 The Lambeth/Capita Revenue, Benefits and Customer Services (RBCS) contract, was originally let in July 2011 to provide

- A flexible procurement
- Significant improvement in customer services
- Value for money and cashable savings
- Community Benefits

The services included in the contract include the provision of the corporate call centre as well as collection of council tax and national non-domestic rates. There is also some IT systems maintenance and support which underpins housing benefit administration.

1.2 As intended, the contract has the ability to increase the scale of activity, vary the agreement to take on additional services (as set out in the original contract orders) within defined parameters, as well as to extend the contract up to 5 years. This report sets out the changes proposed under these arrangements which are;

- Extend the existing contract from 2021 to 2026
- Vary the contract to include Housing Call Centre services from April 2018

1.3 Provision to extend the existing RBCS contract for a period of up to 5 years is already in place and was approved in the Cabinet Report dated 27 June 2011.

2. **Proposal and Reasons**

2.1 Proposal 1 – To extend the existing contract from 2021 to 2026, and implement financial efficiencies effective from 1st November 2017.

2.2 The RBCS contract was tendered in 2010/11 and following a competitive process, awarded to Capita Business Services, this initially saved the council £10m over 10 years, in regards to revenue collection and call centre services. In addition, there have been year on year improvements with council tax collection increasing from 93.7% in 2011/12 to 95.4% in 2016/17 and business rates increasing from 97.6% in 2011/12 to 99% in 2016/17. The call centre has also performed very well, with historically less than 5% of calls abandoned and receives few complaints.

2.3 The contract has also delivered considerable social value with a £500k community fund and a commitment to deliver 40 apprenticeships over the lifetime of the contract, which has far exceeded those ambitions, with over 100 Lambeth residents provided with placements. The social fund has also successfully supported young people with start-up businesses, as well as the St Giles Partnership with helping young offenders with education, finances and health.

2.4 That said, although the initial £10m saving secured in 2011 made a significant contribution to the council's financial position, the fiscal challenges of the present are far more challenging. As a consequence, the council set Capita the challenge of

- significantly reducing the contract price to deliver cashable savings to the council at the earliest opportunity
- continue the trajectory of improved collection for council tax and business rates
- move to more innovative and digital ways of working

- 2.5 As a result; the council has been able to meet all of the above ambitions as well as negotiate a substantial reduction in contract price, from £5.4m to £3.9m (plus VAT) per annum by 2020/21. The detailed changes of which are set out in Part 2 along with value for money commentary. The extension also delivers to Lambeth's Borough Plan by delivering a further 100 apprenticeships for Lambeth residents, as part of the new arrangements.
- 2.6 The Council intends to exercise the option to extend the existing RBCS contract for 5 years from 1st December 2021 to the 30 November 2026. There will be a value for money review in 2021, whereby the council will again consider both the price and quality elements of the contract, to ensure its competitiveness.

2.7 Proposal 2 – Vary the contract to include Housing Call Centre services from April 2018

The current housing call centre contract with GDIT expires on 31st March 2018. As part of the council's organisational redesign programme, Lambeth is seeking to consolidate contracts and activity into more efficient and effective arrangements. As such, call centre services for Housing will join the larger, Capita call centre operation, from April 2018. The savings associated with this change are expected to be in the region of £1.8m from 2018 to 2021, which will be apportioned between the HRA and General Fund. Following a benchmarking exercise, we are content that this represents good value for money. There are not any changes to the performance metrics in regards to Housing Services despite these level of savings.

- 2.8 The Revenue Benefits and Customer Services Commissioning Programme was tendered in 2010/11 on behalf of Lambeth Living, the functions of which have since been subsumed into the Council with corresponding step in to their contracts. At the time the procurement documents and OJEU contract notice made provision for the housing call centre service, and also made provision for dropping that element. The final project agreement did not incorporate the service, and the proposal will reincorporate it within the scope of the original procurement.

- 2.9 Further information on Proposals 1 & 2 are found in Part 2 of this paper.

3. **Finance**

3.1 Contract Extension

- 3.2 The contract savings equate to

Year	2017/18	2018/19	2019/20	2020/21	2021/22
Saving	£0.25M	£1.18M	£1.31M	£1.54m	£1.54m

Savings post 2021/22 will be determined as part of the mandatory VfM review in 2021.

3.3 Vary Housing Call Centre

- 3.4 The savings anticipated for the call centre merger equate to £460k per year, with transfer costs smoothed across the term, as set out below.

Year	2017/18	2018/19	2019/20	2020/21	2021/22
Saving	-£491k	£629k	£585k	£684k	£464k

- 3.5 Savings post 2021/22 will be determined as part of the mandatory VfM review in 2021.
- 3.6 The internal costs to deliver the project are based on a single Project Manager and are approximately £96,000, and is contained within existing funding from the HRA and General Fund.
- 3.7 There are no transition costs expected to be incurred from GDIT. Transition costs from Capita are smoothed across the term to the 2021/22 VFM review.
- 3.8 Additional costs may be incurred as the full scope and complexity of the project are determined. Any additional resource or spend will be managed and agreed via the project board.

4. Legal and Democracy

- 4.1 The authority to deal with the matters set out in this report is delegated to the Cabinet Member for Finance and the Cabinet Member for Housing, in consultation with the Leader of the Council.
- 4.2 The Revenue Benefits and Customer Services Commissioning Programme was tendered in 2010-11 as set out in paragraph 2.1. Where the tender documents and the contract notice make provision for a service or part of a service which is not included in the final contract, it is permitted subsequently to re-include it, although the precise position depends on the facts.
- 4.3 TUPE applies where there is a service provision transfer. Officers should take steps to procure that the outgoing and incoming providers comply with their obligations. Officers should also ensure that the outgoing provider complies with its contractual obligations in respect of exit planning and implementation.
- 4.4 This proposed key decision was entered in the Forward Plan on 11 August 2017 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period - must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

- 5.1 The decisions to extend the contract and to vary the supplier to an existing outsourced service does not require external consultation. The initial decision to outsource the telephony service included consultation however the 'lift and shift' of this contract to a new supplier does not require further consultation and are part of the original contract orders.

6. Risk management

- 6.1 Due diligence checks completed to include Dun and Bradstreet report, provision of current insurance certificates, vetting and screening policy, and assurance around all policy and procedure which may affect or are relevant to the delivered services.
- 6.2 The transition of the Housing Call Centre from GDIT to Capita, scheduled for the 1st April 2018, requires a detailed operational plan and a high degree of focus to ensure a smooth hand over, so

that the impact on residents is negligible. A project team has been created, encompassing Lambeth, GDIT and Capita to ensure a seamless move.

6.3 Note: we are still waiting for confirmation around Living Wage.

7. **Equalities impact assessment**

7.1 An EIA has not been completed. There are no known issues with the service and this is a 'lift and shift' of service and focused on contract provision. The original EIA completed in 2011 found issue only from a staffing perspective due to the outsourcing of the in-house call centre. Clearly this cannot apply in this instance as the service is already outsourced. A justification for not completing an EIA form has been completed and signed off by Policy and Partnership team.

8. **Community safety**

8.1 Not applicable.

9. **Organisational implications**

9.1 **Staffing and accommodation**

Accommodation and external staffing

Both GDIT and Capita operate their services from their own independent contact centres with no current co-location within buildings that are part of Lambeth's estate. With that in mind, the changes proposed in the paper would not have any direct accommodation-related impact for the council.

Internal staffing

The contracts with Capita and GDIT are presently each managed by one clienting/contract management team. Post-transfer of services there will be one unified team. Housing will contribute to the corporate contract team, however the exact makeup and composition of that team will be for subsequent agreement. Part 2 sets out the commercial details in relation to TUPE.

9.2 **Procurement**

Provision to extend the RBCS contract for a period of up to 5 years was approved in the Cabinet Report dated 27 June 2011, it is the Council's intention to exercise this option to extend for 5 years from 1st December 2021 to 30 November 2026.

A Variation Order will need to be completed to incorporate the Housing Call Centre Services.

10. **Timetable for implementation**

Activity	Timeframe
Procurement Board	July 2017 & September 2017
Decisions on line	September 2017
Sign off Council's decision	September 2017
Confirm contract change with Capita	September 2017
Deploy project team	September 2017
Extension: Go-live 1 st November 2017	November 2017
Housing: Go-live with new provider	April 2018

Audit Trail				
Consultation				
Name/Position	Lambeth directorate/department or partner	Date Sent	Date Received	Comments in para:
Councillor Imogen Walker	Deputy Leader, Finance and Resources	24.07.17	24.07.17	
Councillor Jennifer Brathwaite	Cabinet Member for Housing and Environment	27.07.17	27.07.17	
Jackie Belton	Strategic Director for Corporate Resources	03.07.17	19.07.17	
Sue Foster	Strategic Director for Neighbourhoods and Growth	27.07.17	27.07.17	
David Ashmore	Director of Customer Service and ICT	06.03.17	10.03.17	Throughout.
Neil Wightman	Director Housing Services	13.03.17	17.03.17	9.1
Nissar Visram	Head of Finance	19.09.17	21.09.17	
David Thomas, Legal Services	Corporate Resources	13.03.17	21.03.17	Throughout
Maria Burton, Assistant Director, Adult Social care Transformation	Adults Care Services	22.03.17	28.03.17	4.4
Wayne Chandai, Democratic Services	Corporate Resources	20.09.17	21.09.17	Throughout
Procurement Board	Procurement	01.08.17, 12.09.17 26.06.17	01.08.17, 12.09.17 28.09.17	Throughout

Report History	
Original discussion with Cabinet Member	24.07.17
Report deadline	N/A
Date final report sent	N/A
Part II Exempt from Disclosure/confidential accompanying report?	Yes
Key decision report	Yes
Date first appeared on forward plan	11.08.17
Key decision reasons	2. Expenditure, income or savings in excess of £500,000
Background information	Revenue, Benefits & Customer Services Commissioning Programme - Cabinet Report dated 27 June 2011 http://modern.gov.lambeth.gov.uk/documents/s29830/04a%20RBCS%20Commissioning%20-%20June%20Cabinet%20-%20Final.pdf
Appendices	None

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature: _____ Date: _____

Post: David Ashmore, Director Customer Services & ICT

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ Date: _____

Post: Councillor Imogen Walker, Deputy Leader of the Council, Finance and Resources

Any declarations of interest (or exemptions ranted): None

Any conflicts of interest: None

Any dispensations: None