

Report to: Cabinet, 11th June 2013

Report of: Cabinet Member for Delivering Value for Money

Subject: STRATEGIC PARTNERSHIP – REVENUES & BENEFITS – KEY DECISION

1. Decisions Required

- 1.1 That Cabinet review the attached South Worcestershire Joint Committee report and the recommendations arising from that Committee.
- 1.2 That in accordance with the recommendations, Cabinet approves Worcester City Council (in conjunction with the other South Worcestershire District Councils; Wychavon and Malvern Hills):
 - entering into a strategic private sector partnership for the delivery of Revenues and Benefits services.
 - appointing Civica as the preferred bidder and that negotiations commence to finalise the contract details for a start date of October 1st 2013.
 - delegating the contract negotiations with the preferred bidder to the S151 Officer in consultation with the Cabinet Member, Delivering Value for Money.
 - delegating the financial negotiations, including cost sharing arrangements between the three partner Councils, to the S151 Officer in consultation with the Cabinet Member, Delivering Value for Money.

2. Background

- 2.1 The South Worcestershire Revenues and Benefits Shared Service was established in 2007 and is hosted by Wychavon District Council. It is governed by members through the South Worcestershire Joint Committee and has an officer steering group which focuses on performance and operational matters.
- 2.2 One of the original targets when the shared service was set up was to grow the number of partners, but this has not proved possible. As district councils we are able to provide high quality tradable services, but we are not skilled or experienced at taking these to market. The private sector however lacks the services we offer (the trained staff), but does have the marketing expertise and commercial contacts we seek.
- 2.3 Significant changes are taking place with the Welfare Reform agenda. With Universal Credit, which effectively transfers Housing Benefit administration to the DWP, the Joint Committee will have to plan for a shrinking service over the next five years. This reduction in workload will place increasing levels of risk upon the three Councils with the service facing the potential loss of up to 40 FTE posts by 2017/18, whilst trying to maintain good customer service levels.
- 2.4 In addition, there is an ongoing need to generate further savings to balance the budgets of each of the partner councils, with Worcester City Council seeking a 15% reduction in costs from each of its shared services. For Revenues and Benefits this equates to c£250k for Worcester City alone, and it was proving extremely difficult for the SWRBSSO management to see where this level of reduction could be achieved, without severely impacting customer service levels and the other partner council's performance.

- 2.5 Given the national changes to benefits, it was acknowledged that there was a time limited market opportunity for a partnership, built initially on Revenues and Benefits. It was accepted by the Joint Committee that the challenge of needing to drive service change, whilst maintaining excellent service to the customer could best be achieved through growing the partnership with an established private sector provider. The South Worcestershire Joint Committee gave approval at its meeting on 28th September 2012, to explore a private sector partnership for the future provision of Revenues and Benefits Services.
- 2.6 The following key principles were agreed as part of the market testing and have been used as the selection criteria in all stages of the procurement to choose a preferred bidder:
- Partnership
 - Customer service & performance
 - Flexibility
 - Retain local employment
 - Grow the business / share the benefits
 - Three districts are equal partners
 - Save money
 - Future income streams
 - Wider business improvement / innovation
- 2.7 The detail of each key principle is covered in section 5 of the attached Joint Committee report. For Worcester City Council, the most important key principles are customer service & performance, save money, employment, equal partners and flexibility.
- 2.8 Following the Joint Committee decision in September 2012 to explore the potential for a Strategic Partnership, communication with staff and members commenced, including briefing sessions, newsletters, email briefings and member bulletins. Regular meetings have also taken place with Unison in order to brief them on the proposals and as much detail as possible has been shared with Unison at each stage of the process.
- 2.9 The procurement process commenced in October 2012 and finished with the evaluation of the final tenders on the 16th May 2013.
- 2.10 The evaluation panel has recommended Civica as the preferred bidder. This was based on a full assessment of their final submission against the selection criteria. The evaluation panel was also clear from the outset that we were looking for a partnership approach, rather than a traditional outsourcing model.
- 2.11 Civica evidenced where they had undertaken similar partnership work recently, which delivered similar benefits to those sought by the SWRBSSO partners. This was particularly true of their partnership with Gloucester City Council which is branded under the Severn Centre title.
- 2.12 Section 7 of the Joint Committee report details the main points of the offer from Civica and why they were recommended as preferred bidder.

3. **Equalities, Financial, Health and Safety, HR, Legal, Policy, and Risk Management Implications**

- 3.1 **Equalities** – none directly arising from this report.
- 3.2 **Financial** – included within this report and the Joint Committee report. As part of the Council’s Medium Term Financial Strategy, we had sought 15% savings from our Shared Services. The strategic partnership proposal with Civica provides a minimum of 12%, with the potential for more savings through business growth and profit share.
- 3.3 **Health and Safety** - none directly arising from this report.
- 3.4 **Human Resources** - included within this report and the Joint Committee report. Worcester City Council does not directly employ any Revenues & Benefits staff, as they are employed by Wychavon and based in Pershore. One of the key principles of entering into a strategic partnership was to protect local employment, which has been demonstrated in the tender submission.
- 3.5 **Legal** - specialist legal advice on the procurement process was sought at an early stage from Wragge & Co, and Wychavon have provided Legal Officer support throughout the procurement and evaluation process.
- 3.6 **Policy** – included within this report and the Joint Committee report.
- 3.7 **Risk Management** – the key risks and mitigations are as follows:
- 3.8

Risk Identified	Inherent Risk Score	Risk Mitigations	Target Risk Score
Welfare reform changes increase workload and funding uncertainties and require local staffing reductions.	A1	Strategic Private Sector Partnership to manage the changes. Through this secure additional work from other Councils and potentially central government, and/or provide alternative transactional employment opportunities.	D2
Staffing morale is adversely impacted during the transition to a strategic partner and service performance deteriorates.	B2	Work closely with strategic partner on joint transition and communication plans. Tried and tested approach to TUPE transfer. Monitor service performance, support operational management through the changes.	D3
Successful legal challenge from unsuccessful strategic partner bidder.	C2	External legal advice sought prior to procurement, legal and procurement advice provided throughout process. Project management approach, decision criteria agreed and documented, evaluation decisions documented.	D2
Loss of control and flexibility on Revenues & Benefits service direction and performance through entering into a strategic private sector partnership.	B2	Appropriate partnership governance arrangements to be put in place with all 4 bodies as equal partners, Joint Committee arrangements continue member involvement and new Strategic Partnership Board strengthens generation of strategic ideas and direction and performance management. Legal agreement to reflect flexibility on partners joining on business growth opportunities.	D3
Capacity to deliver transformational change and ongoing budget savings, whilst protecting customer service, during a time of welfare reform changes and increased workload.	A2	Strategic Private Sector Partnership to deliver transformational improvements in the short/medium term and significant budget savings from day one.	C3

4. Comments of Corporate Director - Resources

- 4.1 Worcester City Council has a large budget gap in the latter years of its MTFS. Currently this stands at £1.8m. Our shared services account for some £5m of our total expenditure and in order to help bridge the budget gap, savings would be needed from shared services. A target of 15% reductions was set and each shared service advised accordingly.
- 4.2 Generating such levels of savings has been difficult for all shared services, particularly for those services where the other partners in the shared service were not seeking such levels of expenditure reductions. With Revenues and Benefits, one of our largest shared services, all partners were seeking reductions, but the reality of the situation of increased workload demands and uncertainty around Welfare Reform, meant it was proving very difficult for the shared services management to deliver significant reductions.
- 4.3 A private sector partnership initially for revenues and benefits, puts generating additional revenue, growing the local economy and delivering excellent customer service at the forefront of what we are trying to achieve. In the current climate of Welfare Reform, working with the private sector in this way is innovative and offers the best solution for the three South Worcestershire Districts to meet the key principles listed above.
- 4.4 In recommending Civica as our preferred bidder, the evaluation panel have considered the impact this will have on our current shared service staffing and on performance during the transition period. Their approach in Gloucester and the testimony from other Councils who currently work with Civica, has convinced us that they have a proven track record on staff management, successful TUPE transfers, managing staff morale, and on partnership working.

5. THE CABINET MEMBER FOR DELIVERING VALUE FOR MONEY, COUNCILLOR RICHARD BOORN, RECOMMENDS:

- 1. That Cabinet review the attached South Worcestershire Joint Committee report and the recommendations arising from that committee.**
- 2. That in accordance with the recommendations, Cabinet approves Worcester City Council (in conjunction with the other South Worcestershire District Councils; Wychavon and Malvern Hills) to:**
 - enter into a strategic private sector partnership for the delivery of Revenues and Benefits services.**
 - appoint Civica as the preferred bidder and that negotiations commence to finalise the contract details for a start date of October 1st 2013.**
 - delegate the contract negotiations with the preferred bidder to the S151 Officer in consultation with the Cabinet Member, Delivering Value for Money.**
 - delegate the financial negotiations, including cost sharing arrangements, between the three partner Councils to the S151 Officer in consultation with the Cabinet Member, Delivering Value for Money.**

Ward(s): All
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Background Papers: