

**REPORT TO: SOUTH WORCESTERHIRE SHARED SERVICES JOINT COMMITTEE**

**ON: 5<sup>th</sup> JUNE 2013**

**BY: Vic Allison, Deputy Managing Director, Wychavon District Council  
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**TITLE: STRATEGIC PARTNERSHIP– REVENUES AND BENEFITS**

## **1. SUMMARY**

1.1 The purpose of this report is to recommend approval of CIVICA as the preferred Strategic Private Sector Partner for the South Worcestershire Revenues and Benefits Shared Service (SWRBSS).

## **2. RECOMMENDATIONS**

That the Joint Committee recommends that each partner District Council:

- 2.1 enters into a strategic private sector partnership for the delivery of Revenues and Benefits services.
- 2.2 appoints Civica as the preferred bidder and that negotiations commence to finalise the contract details for a start date of October 1<sup>st</sup> 2013.
- 2.3 delegates the contract negotiations with the preferred bidder to the relevant S151 Officer in consultation with the relevant portfolio holder.
- 2.4 delegates the financial negotiations, including cost sharing arrangements, between the three partner Councils to the relevant S151 Officer in consultation with the relevant portfolio holder.

## **3. BACKGROUND**

- 3.1 SWRBSS has operated successfully since its inception in July 2007. The shared service is hosted by Wychavon District Council and governed by members through the South Worcestershire Joint Committee. The shared service has generated significant savings and improved performance despite unprecedented increases in workload.
- 3.2 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 (the service faces the potential loss of up to 40FTE posts by 2017/18), whilst trying to maintain good customer service levels. This is without the ongoing need to generate further savings to balance the budgets of each of the partner councils.

- 3.3 The South Worcestershire Joint Committee gave approval at its meeting on 28<sup>th</sup> September 2012, to explore a private sector partnership for the future provision of Revenues and Benefits Services.

#### **4. WHY A PRIVATE SECTOR PARTNERSHIP?**

- 4.1 The three partner councils have already benefitted greatly from economies of scale from setting up the shared service. Our ability to generate further savings without compromising service to the public was thought to be limited.
- 4.2 One of the original targets when the shared service was first set up was to grow the number of partners, this has not proved possible. As district councils we provide high quality tradable services, however we are not skilled or experienced at taking these to market. The private sector lacks these services (the trained staff) but does have the marketing expertise and commercial contacts we seek.
- 4.3 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.
- 4.4 Given the national changes to benefits we believed that there was a time limited market opportunity for a partnership, built initially on Revenues and Benefits.
- 4.5 A competitive dialogue procurement process commenced in October 2012 and a full breakdown of the stages can be seen in **Appendix 1**.

#### **5. EVALUATION**

- 5.1 The process has been conducted in an open and structured way with an evaluation team comprising:

Vic Allison (Wychavon District Council)  
Andy Baldwin (Malvern Hills District Council)  
Mac Chivers (South Worcestershire ICT)  
Nick Jefferies (South Worcester Revenues & Benefits)  
Lesley Meagher (Worcester City Council)

- 5.2 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**

We are looking for a true partnership with a private sector provider, not a simple outsource model. We believe this will be critically important in helping us achieve our other key aims.

##### **Customer service**

The Revenues and Benefits shared service has an excellent reputation for good levels of performance and providing a good service to the customer. It is essential that this performance is at least maintained and hopefully bettered over the life of the partnership.

### **Flexibility**

Aligned to the partnership model we want a contract and service that is flexible to both our needs and changing circumstances. This is very important given the known changes which will affect the service over the coming years and also other potential changes which will happen over the life of the contract.

### **Retain local employment**

Any solution needs to retain current jobs in the local economy and also grow the number of jobs based in South Worcestershire. There are other examples of centres of excellence in partnership with the private sector and we want to copy their success.

### **Grow the business / share the benefits**

We firmly believe there is a business opportunity for a jointly branded service with the private sector. The aim of this will be to grow the business both in terms of revenues and benefits but also critically other services.

### **Three districts are equal partners**

Although based in Pershore all three district partners are equal, with an equal say in the future of the partnership. We envisage there will be no change in governance and that the partnership will be managed by a board which reports into the Joint Committee structure.

### **Save money**

The partnership needs to save money on the current operating costs. Initial indications were that guaranteed savings in excess of £500k per annum can be realised.

### **Future income streams**

Not only do we expect to make significant savings we also expect to generate additional revenue streams from other work the partnership wins from other Councils. This will be in Revenues and Benefits and also from additional services.

### **Wider business improvement / innovation**

Whoever our partner is we expect them to work with us to drive future business innovation this may lead to both cashable savings and also additional income streams.

## **6. HUMAN RESOURCES AND TRADE UNIONS**

### **Consultation**

- 6.1 Staff and Unison have been regularly briefed on the Strategic Partnership proposal since October 2012. This has included face to face staff briefing sessions, newsletters, email updates and small group meetings with the Head of Service.

### **Trade Unions**

- 6.2 Regular meetings have taken place between the Head of Service, Unison and the Wychavon Personnel, Payroll & Development Manager, to discuss both the Telephony Transfer and the Strategic Partnership proposals. As much detail as

possible has been shared with Unison at each stage of the process is progressed, although details of the actual bids could not be shared. In addition, meetings have been planned throughout the remainder of 2013 to ensure Unison officers are afforded the opportunity to fully consider and comment on proposals, recognising the limited timescale.

- 6.3 Unison local officers have been briefed on the proposal to appoint Civica as the preferred bidder. Unison's position at national level is to oppose any outsource arrangements which transfer services from the Public to the Private Sector. Unison officers at a local level recognise the context within which this exercise is being undertaken. They understand the reasons for developing the Strategic Partnership and are supportive of proposals which would help to secure local employment, terms and conditions for existing staff, or improve them. As the details of the bids have however not yet been shared, Unison's position is cautiously reserved.
- 6.4 Unison officers are currently contacting other authorities where they have been advised Civica are currently undertaking work with or for them. From information received so far, Unison are content that staff conditions have been kept or improved, although with changes to the TUPE regulations this could change in the future.

#### **TUPE**

- 6.5 Under the proposals, and subject to due diligence, all staff currently employed by Wychavon District Council directly for the SWRBSS will TUPE transfer to Civica on 1<sup>st</sup> October 2013.
- 6.6 In addition there may be a small number of other posts that will fall within the scope of TUPE as a result of support services work being transferred across, for example Human Resources and ICT for the SWRBSS. The precise situation with regards the impact on support services will be identified during the development of the contract, but at this stage it is not thought likely it will involve any more than two members of staff.

### **7. CIVICA - PREFERRED BIDDER**

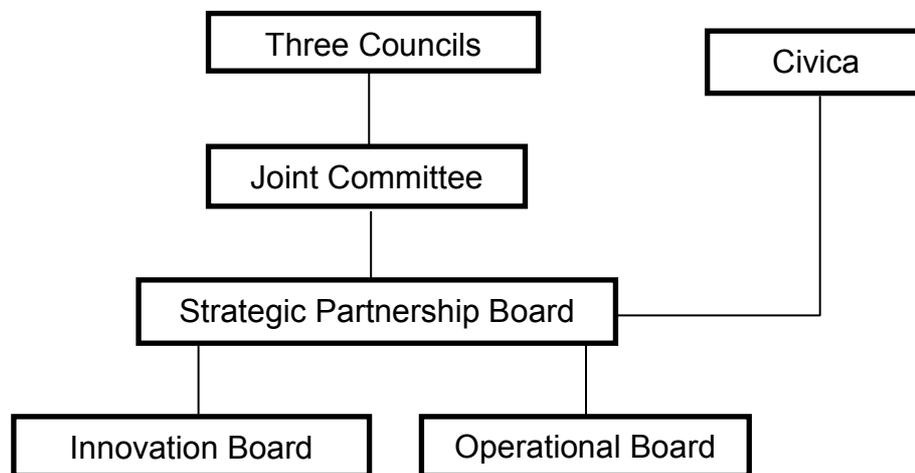
- 7.1 The evaluation panel has recommended Civica as the preferred bidder. This was based on a full assessment of their final submission against the selection criteria detailed in section 5 of this report.
- 7.2 The evaluation panel was clear from the outset that we were looking for a partnership approach, rather than a traditional outsourcing model. We strongly believe that this would deliver greater benefits in the long run as well as being more successful.
- 7.3 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. The main points of the offer from Civica are detailed below:

#### **Partnership & governance**

- 7.4 Civica demonstrated a commitment from the very top of the organisation to want to work with the three councils. They were clear that this would be a partnership of equal partners, which needed to be flexible to adapt to

challenges and also the potentially varying needs of the three councils over time.

- 7.5 Civica demonstrated through references from other councils that they understood our requirement for a real partnership and not a traditional outsourcing contract.
- 7.6 The partnership will be based on transparent open book accounting, with guaranteed savings on the current core services and a 50/50 profit share on any new business.
- 7.7 The Civica final submission showed that they understood and supported our key principles detailed in section 5. This cultural fit with the three councils is a key cornerstone of making this partnership work both for the councils and for the customer.
- 7.8 There are no plans to change the governance of SWRBSS which has worked well since its inception. The partnership will continue to report into the South Worcestershire Joint Committee and be subject to scrutiny. The governance framework is shown in the diagram below:



### **Customer service & performance**

- 7.9 Civica have been clear in their bid that commercial success must be balanced with excellent customer services. It is only by getting the service right for the customer will the partnership be both a success in its own right and in also attracting in business from elsewhere.
- 7.10 SWRBSS already delivers better performance levels than the three Councils enjoyed prior to the shared service. This is despite record increases in the volume of work the service has had to process, up 121% in benefits.
- 7.11 Civica in their other partnerships have been able to demonstrate improvements in performance without placing at risk the services that our customers value. They are committed to providing a seamless transition between organisations using the current ICT platforms. There will be no disruption caused by changing ICT systems as has proven the case in the past.

### **Transformation & ICT**

- 7.12 The partnership is committed to ensuring that the service will continue to evolve to meet the needs of customers. The successful transfer of telephony

from Worcestershire Hub to SWRBSS has shown that we can manage significant service changes that deliver not only financial benefits but also better customer service.

- 7.13 As previously stated there are no plans to change ICT systems which currently provide the service. This not only minimises the risks of disruption, it also allows the emphasis to be placed upon improving performance.
- 7.14 SWRBSS are already committed to transforming services to the customer wherever possible. The new partnership will drive the self service agenda for revenues and benefits services to ensure that these services meet the customers needs and also provide the required efficiencies.

### **HR issues**

- 7.15 One of the main objectives of the procurement was to maintain employment locally and Civica have a reputation as excellent employers. The evaluation panel were particularly impressed with feedback from staff who had previously transferred into Civica from other Councils.
- 7.16 Civica could also demonstrate experience of managing large scale TUPE transfers. All staff who TUPE transfer will retain their current Wychavon terms and conditions of service. This will include, where relevant, membership of the Local Government Pension Scheme, within which Civica will have admitted bodies status.
- 7.17 Civica demonstrated extremely good staff retention rates and also an ability to develop and promote staff to a greater extent than we can achieve within district councils.
- 7.18 Civica have guaranteed to protect current job numbers and economic benefits for the community, by insourcing revenues and benefits work from other councils. They also have ambitious plans to bring in other areas of work to the partnership. This includes 15 additional jobs based in Pershore in the first year, following the start of the contract in October.

### **Business growth & profit share**

- 7.19 The evaluation panel was very clear that we wanted a partnership based initially on SWRBSS but with the ability to grow into other service areas. This was important not only to generate additional income but also to help drive wider business innovation and improvement through the Councils.
- 7.20 Another important reason was to spread the risk of having a partnership based solely on one service. This is particularly important with revenues and benefits with the onset of Universal Credit.
- 7.21 Civica are confident that they can grow the partnership, there is excess demand for revenues and benefits processing capacity across the country. They are also confident that they can expand the range of services offered through the partnership.
- 7.22 Civica have had great success with their Severn Centre partnership with Gloucester City and have a vision and strategy to brand the partnership with the three South Worcestershire Councils as the Orchard Centre.

- 7.23 The Orchard Centre with Pershore as its initial primary base will be developed as a virtual concept, allowing a flexible location for other services that are developed in partnership. This will allow services to be based in either Worcester or Malvern Hills where it is sensible to do so for sound business reasons. This will help secure the partnership as well as boosting jobs and economic benefits for the whole of South Worcestershire.
- 7.24 The partnership will share the profits of the Orchard Centre 50/50 based upon open book accounting principles. Additional to any profit, Civica have also guaranteed an annual rental payment of £2,000 for each additional desk space they utilise.
- 7.25 New Business opportunities will be through approved business cases which will be worked up through the innovation board. They will then require approval at the Strategic Partnership Board and in some cases by the Joint Committee.

### **Savings**

- 7.26 Civica have guaranteed savings on the core SWRBSS of £594,000 per annum from day one. For the 5 year minimum contract term this equates to £2.97m. This is before any additional income from the profit share is taken into account.
- 7.27 Further work will also need to be done to agree the share of the costs and future benefits between the three partner councils and again the appropriate delegations from the respective councils are sought within this report. However, we anticipate minimum cost savings of £198,000 per council.

## **8. CONTRACTUAL ISSUES**

- 8.1 The contract has been let on the basis of an initial term of 5 years with the potential to extend for a further five years.
- 8.2 There will need to be detailed dialogue between the partner Councils and Civica to finalise contractual terms, before the contract can be finally let. The anticipated start date for the contract is 1<sup>st</sup> October 2013. The necessary delegations to conclude this dialogue are included within the recommendations of this report.
- 8.3 Once the decision to award the contract has been made, as well as notifying the winning bidder, the partner councils will also have to notify the unsuccessful bidder (CAPITA) of their decision and provide certain prescribed information to them. Following notification, there is a statutory 10 day standstill period prior to entering into any contract. This allows the unsuccessful bidder time to consider whether the public procurement regime has not been complied with and it gives them the opportunity to take action prior to the contract being concluded.
- 8.4 Upon completion of the standstill period, the contract will be awarded with a start date of 1<sup>st</sup> October 2013. Then the detailed preparation work for the successful service transition including staff consultation can commence.

## **9. CONCLUSIONS**

- 9.1 The Joint Committee recognised that if savings were to be delivered whilst protecting services then a private sector partnership needed to be thoroughly explored.

- 9.2 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.
- 9.3 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 in section 5.
- 9.4 From the extensive procurement exercise we have undertaken we have no hesitation in recommending Civica as our preferred bidder and strongly recommend that we commence negotiations with them to finalise our strategic partnership arrangements.

## Procurement and Decision Process for Private Sector Partner

URN	Action / Milestone	Project dates
	<b>PRE-QUALIFICATION PHASE</b>	
1	<b>Joint Committee Strategy Day agree to market test</b>	<b>Thu 27/09/2012</b>
	Visit to Wragge & Co in Birmingham for procurement advice	Fri 19/10/2012
2	Preparation – Decide - main objectives and scope	Fri 09/11/2012
3	Preparation – Decide - which core services are to be included	
4	Preparation – Decide - which additional services are to be included	
5	Preparation – Decide - governance structure	Fri 09/11/2012
6	Agree procurement route	Mon 22/10/2012
7	Project Board approve draft advert, PQQ and assessment criteria / weighted scores	Mon 22/10/2012
8	Steering Group approval for Telephony transfer to SWRBSS	Wed 28/11/2012
9	<b>Joint Committee decision for OJEU process</b>	<b>Thu 29/11/2012</b>
10	Create descriptive document and PQQ	Wed 05/12/2012
	<b>OUTLINE SOLUTIONS PHASE 1</b>	
11	Feedback from Wragges on PQQ documents	Tue 04/12/2012
12	Complete PQQ documents, selection criteria and scoring methodology	Wed 05/12/2012
13	Issue advert to OJEU	Wed 05/12/2012
14	Place advert elsewhere (if appropriate)	Wed 05/12/2012
15	Place advert on County Council website	Wed 05/12/2012
16	Email advert to identified prospective companies	Wed 05/12/2012
17	Hub Management Board meeting	Fri 04/01/2013
18	<b>Extraordinary meeting of Joint Committee</b>	Wed 16/01/2013
19	Ongoing consultation with staff and unions on proposals including 14 days specified under TUPE	Thu 18/10/2012
20	Receiving, recording EOI in the form of completed PQQ's	Wed 05/12/2012
21	Last day to ask questions / request papers	Fri 04/01/2013
22	Return date for completed PQQ's	Mon 14/01/2013
23	Project Board meeting	Tue 15/01/2013
24	Evaluating PQQ's	<b>Tue 15/01/2013</b>
25	PQQ evaluation complete	<b>Fri 25/01/2013</b>
	Five PQQ's returned (One eliminated: South Western Business Process Services UK Ltd)	
26	Project Board meeting	Wed 30/01/2013
27	Agree shortlist and notify parties	Wed 30/01/2013
28	Agree dialogue criteria	Wed 06/02/2013
29	Issue Invitation to participate in dialogue (ITPD)	Wed 06/02/2013
30	Bidder Open Day	Fri 08/02/2013
	Four companies attended (Northgate subsequently withdrew from the process)	

31	Issue invitation to submit outline solutions 1	Fri 08/02/2013
32	Deadline for draft OS 1 submission	Tue 26/02/2013
33	OS 1 Dialogue meetings	Thu 28/02/2013
34	Deadline for return of FINAL OS 1 submissions	Mon 04/03/2013
35	Evaluation of OS submissions	Fri 08/03/2013
	Three submissions (One eliminated: Mouchel)	
	<b>FINAL TENDER PHASE</b>	
36	Issue of invitation to submit FT	??/03/2013
37	De-brief unsuccessful tenders	Mon 18/03/2013
38	Project Board workshop	Fri 22/03/2013
39	Capita dialogue day	Mon 15/04/2013
40	Civica dialogue day	Thu 18/04/2013
41	Issue of information pack and invitation to submit Final Tender	Wed 24/04/2013
42	<b>Transfer of telephony to SWRBSS complete and live</b>	Tue 02/04/2013
43	last day to accept queries from bidders	Thu 02/05/2013
44	Final Tender submissions closing date	Tue 14/05/2013
45	Evaluate Final Tender & agree preferred bidder	Thu 16/05/2013
	<b>PREFERRED BIDDER PHASE</b>	
46	<b>WCC O&amp;S</b>	Wed 29/05/2013
47	<b>South Worcestershire Joint Committee</b>	Wed 05/06/2013
48	<b>WCC Cabinet</b>	Tue 11/06/2013
49	<b>MHDC O&amp;S</b>	Tue 11/06/2013
50	<b>WDC O&amp;S</b>	Tue 11/06/2013
51	<b>MHDC Exec Committee</b>	Tue 18/06/2013
52	<b>WDC Exec Board and Special Council</b>	Tue 25/06/2013
53	<b>MHDC Full Council</b>	Tue 02/07/2013
54	<b>Evaluation Panel Formal Decision</b>	Wed 03/07/2013
55	Notify bidders of the outcome of the evaluation	Thu 04/07/2013
56	Standstill period (10 Calendar Days)	Thu 04/07/2013
57	Contract Award	Tue 16/07/2013
58	TUPE consultations (winning bidder, staff and unions)	Tue 16/07/2013
59	Mobilisation	Tue 16/07/2013
60	Contract start date	Tue 01/10/2013
61	OJEU contract award notice	Wed 02/10/2013