



Report to: Policy and Resources Committee, 4th July 2022

Report of: Corporate Director – Finance and Resources

Subject: TERMINATION OF REVENUES AND BENEFITS MANAGEMENT CONTRACT

1. Recommendation

1.1 That the Committee recommends to Council the return of the Revenues and Benefits to an in-house shared service, with staff employed by Malvern Hills District Council, noting that further reports will be brought to this Committee once the transfer has been completed and a review of the service has commenced.

2. Background

2.1 At its meeting of 14 December 2021, the Committee received a report on the request received from Civica to withdraw early from its management of the South Worcestershire Revenues and Benefits Shared Service (SWRBSS). The Committee approved the recommendation that management of the service be returned to the Shared Service partnership arrangement that was previously in place. The report is at **Appendix 1** for reference.

2.2 Since that date, officers have worked with Civica to agree terms of the transfer, although the actual date of transfer has yet to be agreed. If the earliest requested date of 30 October 2022 is to be achieved, Council approval to terminate the contract early is required by the date of the meeting of 5 July to ensure that there is time for a full and detailed consultation with the staff who will transfer.

2.3 As reported previously, the service will remain hosted physically by Wychavon District Council but it is now proposed that the staff will transfer under TUPE regulations into the employment of Malvern Hills District Council. A comparison between the three Councils of pay points of the staff to be transferred showed this to be the least-cost option due to the grade boundaries of each of the roles.

2.4 The report of 14 December anticipated that savings are likely to be achieved by the transfer, in comparison with other services that have returned in house in recent years. However significant savings are not now expected to materialise for two main reasons:

- Additional resources have been required to bring the establishment up to its full complement.
- On transfer, staff will be eligible to join the local government pension scheme. It is assumed that they will take up this option and therefore employer contributions will be incurred. These will be in addition to current costs within the contract.

- 2.5 Worcester City Council's proportion of the annual sum for the managed service contract will therefore remain initially at its current level of £1,256,840.
- 2.6 Changes in working practices are being explored by the partnership to identify any potential efficiencies that may arise on transfer. The result of these considerations will be reported to committee at future meetings along with consideration of the option to withdraw from the partnership and re-establish a directly-managed service in house, post transfer.
- 2.7 On the basis of work done to date, the Committee is asked to recommend proceeding with the transfer to Council for approval, with a view to undertaking further due diligence once the transfer is complete.

3. Preferred Option

- 3.1 To recommend to Council that the service is returned to a shared service as existed under the arrangements prior to 1 October 2013, with the variation that staff will transfer into the employment of Malvern Hills District Council.

4. Alternative Options Considered

- 4.1 The alternative transfer options considered were set out in the report of 14 December 2021 attached.

5. Implications

5.1 Financial and Budgetary Implications

The transfer will be cost neutral to all three Councils within the shared service in the first instance. There is an opportunity to explore further options to achieve efficiencies once the transfer is complete.

5.2 Legal and Governance Implications

The implications are set out in the report attached.

5.3 Risk Implications

The implications are set out in the report attached.

5.4 Corporate/Policy Implications

The implications are set out in the report attached.

5.5 Equality Implications

None arising directly from this report.

5.6 Human Resources Implications

A transfer of staff would be required under the TUPE regulations. It is proposed that staff transfer into the employment of Malvern Hills District Council. The TUPE Regulations provide a significant degree of legal protection for transferring employees over their terms and conditions and actions related to the transfer.

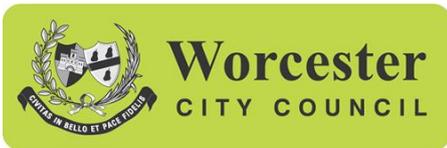
5.7 Health and Safety Implications

None arising directly from this report.

5.8 Social, Environmental and Economic Implications

The implications are set out in the report attached.

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Background Papers: None



Report to: Policy and Resources Committee, 14th December 2021

Report of: Corporate Director – Finance and Resources

Subject: TERMINATION OF REVENUES AND BENEFITS MANAGEMENT CONTRACT

1. Recommendation

1.1 That the Committee approve the return of the Revenues and Benefits to an in-house shared service.

2. Background

- 2.1 On 2nd July 2007 the three south Worcestershire Councils agreed to form a Joint Committee for the purposes of setting up a joint and shared service in respect of their obligations to provide Revenues and Benefits Services known as the South Worcestershire Revenues and Benefits Shared Service (SWRBSS).
- 2.2 Further to the introduction of the Welfare Reform Act 2012, the Councils agreed to seek a strategic partner to assist in the provision and growth of SWRBSS. In December 2012 the Councils sought a service management provider for the SWRBSS by means of a public tender exercise and, following an extensive competitive process, selected Civica to provide SWRBSS, including a Customer Contact centre.
- 2.3 In 2018/19 and 2019/20 respectively Malvern Hills and Worcester City Council withdrew from the Customer Services contract. Customer Services were transferred on 1 April 2020 to 89 the High Street and Trinity Road Housing Services centre.
- 2.4 The commencement date of the main SWRBSS contract was 1 October 2013 and the initial contract term was five years, with a potential extension up to a further five years. The extension was approved in 2018 and the contract is therefore due to terminate on 1 October 2023.
- 2.5 Civica have contacted the three partner councils and have advised that they do not intend to renew the contract and have requested early termination by December 2022. This will allow sufficient time for current systems developments to be completed and sufficiently embedded and for any TUPE transfers to be completed for the succeeding provider to maintain continuity of service.
- 2.6 Worcester City Council's proportion of the annual sum for the managed service contract is £1,256,840.

3. Preferred Option

3.1 To return the service to a shared service as existed under the arrangements prior to 1 October 2013.

4. Alternative Options Considered

To retender the contract

- 4.1 Since the roll out of Universal Credit, the demand for Housing Benefit processing has significantly reduced. The demand will continue to reduce as existing claimants move across from Housing Benefit and new claimants automatically claim Universal Credit. There is, therefore, a declining market for managed services in Revenues and Benefits and there are a limited number of existing companies operating in the sector with no new entrants.
- 4.2 Retendering the contract will enable the Council to market test the facility but will not lead to increased control over the service. The Council has successfully brought services such as Property Management and Customer Services in house and delivered savings of over £250,000 per year as a result. Given the value of the contract with Civica, and the reduction in staff costs that have been incurred since the contract was let due to the reduction in HB processing, there will be quantifiable savings if the contract is brought back in house.

To dissolve the partnership and for Worcester City Council to establish a full stand-alone Revenues and Benefits service

- 4.3 The original transfer was from the three councils acting in partnership as SWRBSS to Civica Services. Therefore, a transfer under TUPE regulations back to SWRBSS would be a straightforward arrangement with least disruption to the service. The existing employees of Civica that are engaged for at least 50% of their time on the contract would transfer across unless they chose not to do so.
- 4.4 Disaggregating the contract would require the partners to dissolve the existing shared service arrangements. It would be necessary to determine which, if any, of the staff are currently supporting Worcester, rather than the other two councils, for 50% of their time and to undertake a recruitment exercise to fill any required posts which were not transferred. This would include lead officers for Council Tax and Business Rates Collection as well as Housing Benefit and CTS assessment and processing who are, by default, currently spending at most 33% of their time on Worcester City Council.
- 4.5 It would also require the disaggregation of the central database which is shared by all three councils within the processing system and the procurement of a stand-alone system for the Council. This, along with the staffing requirements identified above, will reduce the potential financial gains from the return of the management of the service.

5. Implications

5.1 Financial and Budgetary Implications

These are set out in the report. The transfer of the service in-house to the existing partnership has the potential to realise significant annual reductions in costs. Should the Council opt to withdraw from the partnership and manage revenues and benefits directly there would be reduced potential for savings and the Council may be required to make a compensating payment to the partnership to cover the residual costs of providing the service. As the management contract is terminating this is likely to be limited to the costs of disaggregating the database and systems. The potential value of any such payment has not been quantified at this stage.

5.2 Legal and Governance Implications

The Council, as a billing authority, has a statutory duty to provide revenues and benefits services on behalf of its citizens, businesses and premises owners and precepting bodies. The management of processes relating to the delivery of these services can be outsourced to third parties under regulations, although responsibility remains with the Council.

Under the terms of the contract, each party is required to provide six months' notice of intention to terminate the agreement. This notice has been provided by Civica to the relevant officers of each of the three councils.

The UK remains a signatory to the Treaty of Rome. The value of the contract is such that a full tender exercise would be required to re-let it under the terms of the Operating Journal of the European Union. If the OJEU notice conditions were not applied, given the UK's withdrawal from the EU, a tender exercise on a similar scale would be required to ensure that value for money in the process was satisfactorily secured.

5.3 Risk Implications

Risk of loss of continuity of the service. Civica are preparing a contract change notice to set out the procedures for closedown and transfer once the implementation of the systems changes identified in the report are complete. This will specify actions to ensure that the service can continue – including the transfer of experienced staff – following transfer

Cost savings not realised. No budget allowance has been made for cost savings. Therefore, if these are not achieved there will be no direct impact on existing budgets. A further tendering exercise or disaggregation from the shared service can be undertaken subsequent to the transfer if it were deemed that value for money had not been achieved.

5.4 Corporate/Policy Implications

The range of shared services was considered by the Committee in October 2018 as part of a report on the then Transformation Programme. There is no standing policy in respect of shared services but each is reviewed for value for money as part of budget discussions that take place annually. The Revenues and Benefits shared service management board which consist of officers from Civica and the Deputy Chief Executives from Malvern Hills and Wychavon and the Corporate Director for Worcester would continue to oversee the management of the service, with senior managers from the transferred service replacing Civica staff.

5.5 Equality Implications

None arising directly from this report.

5.6 Human Resources Implications

A transfer of staff would be required under the TUPE regulations. Should the shared service operate as per the arrangements to October 2013, the staff currently based in the Wychavon Office would remain in situ. Disaggregation of the contract would require the allocation of staff across the three authorities and an assimilation exercise to align pay and conditions with Worcester City Council terms.

A resource within the Internal Audit Shared Service is allocated 100% to review of Housing Benefit and CTS processing. This role would be reassigned to other audit work within the shared service, although a specific quality control function for this activity would still be required to provide management information on the effectiveness and efficiency of operations.

5.7 Health and Safety Implications

None arising directly from this report. If the staff transferring remain in situ then existing health and safety considerations would apply.

5.8 Social, Environmental and Economic Implications

Housing Benefits and Council Tax support are essential facilities to support those in need, while collection and Council Tax and Business Rates is a function of billing authorities enshrined in statute. Effective management of this range of services is important to provide consistent and fair collection of taxes and timely and full benefit support for those who need it. It is therefore important to ensure that these services are controlled effectively, managed well and operate within the regulations set out by Government. Achieving this is a key component in securing the wellbeing of people across the city and helping businesses and citizens to thrive within Worcester.

Ward(s): All Wards
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Background Papers: None