

Decision Report - Executive Decision

Forward Plan Reference: FP/24/05/28

Meeting Date – 5 August 2024

Key Decision – yes

Confidential Information – Appendix B



5 C's Contract

Executive Member(s): Leader of the Council and Lead Member for Governance and Communications

Local Member(s) and Division: Liz Leyshon

Lead Officer: Paul Skuse

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Summary

1. Legacy Mendip District Council Revenues & Benefits (R&B) activity (and associated helpdesk) and Local Land Charges (LLC) work is currently outsourced to Capita. The contract ends on 30th September 2025, there is an opportunity for a two-year extension. The contract requires 12 months' notice if we choose not to take up the extension option. This paper is to gain approval for the proposed course of action for September 25 with notice given to the supplier in September 24.
2. In 2016 Havant Borough Council, Hart District Council, South Oxfordshire District Council, Vale of White Horse District Council and Mendip District Council entered into a contract with Capita for the provision of a number of their services. The R&B and LLC work is all that remains under this contract for Somerset Council.

The contract term ends in September 2025 and all the authorities have been working on future options.

Recommendations

3. The Executive agrees:
 - a. To exit the current outsourcing agreement with Capita at the end of the current contract in September 2025, and to in-source all the remaining services. The activity will be subsumed within the existing teams
 - b. That the lead officer will give the appropriate notice to the provider in September 2024 in accordance with the agreed contract terms
 - c. The case for applying exemption information provision as set out in the Local Government Act 1972, Schedule 12A and therefore treat the attached confidential Appendix 2 in confidence, as it contains commercially sensitive

information, and as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information

- d. Agrees to exclude the press and public from the meeting where there is any discussion at the meeting regarding Appendix 2 (to be treated as exempt information).

Reasons for recommendations

- 4. The consolidation of the current services in one location will reduce the overhead of managing separate arrangements. This will also give SC direct control over how the services are provided allowing scope for future efficiencies.
- 5. Reduction in costs – this will contribute towards essential financial savings

Other options considered.

- 7. A summary of the other options considered is attached in Appendix A. The proposed option under this decision recommendation offers the most beneficial, least risk option considered.

Links to Council Plan and Medium-Term Financial Plan

- 8. The proposed in-source of the remaining Capita services will bring all SC activity together bringing cost savings. This meets with the One Somerset Business Case of delivering better value for money.
- 9. Insourcing this activity is key to the amalgamation of the service prior to any possible future development of the service.

Financial and Risk Implications

- 10. An estimate of current and future costs is contained in confidential Appendix B. This appendix is considered confidential as it includes reference to the costs of the external supplier.
- 11. Risks

<i>Lack of accurate historic data on previous activity causes under or over-estimate of resource required.</i>					
Likelihood	3 - Possible	Impact	2- Minor	Risk Score	Minimal Risk - tolerate
We have requested data from the current provider. This will be investigated to look for inaccuracies. In the event of an underestimate of staff, further					

temporary resource could be acquired. As this is already part of the transition plan, an overestimation in resource could result in a reduction of the interim temporary resource.

**Capita are not co-operative with the transition impacting on
-costs
-Interruption or cessation of the service.**

Likelihood	3 - Possible	Impact	3 - Significant	Risk Score	9 – Medium
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A clear project plan will be jointly developed and tracked. Any deviation should then be identified and challenged. The management board of the 5c's contract can be called upon to escalate any issues and we would rely on adherence to the contract terms. This project management will include a track on costs. Initial planning will consider whether a phased approach to implementation would reduce the potential impact to the service provision.

There is uncertainty around the cost of using existing Capita systems for R&B beyond September 2025, if required.

Likelihood	3 - Possible	Impact	3 - Significant	Risk Score	9 – Medium
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The Revenues and Benefits system consolidation project is underway and is intending on migrating the data from the existing CAPITA R&B system to a new consolidated IT platform by September 2025. However, there may still be a requirement for ongoing access to the CAPITA system for a limited period to view some legacy data. These requirements and any associated costs will be explored during transition planning.

It is unclear at this stage how many (if any) staff will transfer from CAPITA under TUPE arrangements.

Likelihood	3 - Possible	Impact	3 - Significant	Risk Score	9 – Medium
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Clearly this has implications for how we resource the workload returning from CAPITA. We will engage with CAPITA through the transition planning process to understand the staffing arrangements in order that we can either plan to transition staff under TUPE or recruit, where necessary, to ensure we have adequate resourcing.

Legal Implications

12. A notice to terminate the current external arrangements needs to be written and issued by September 2024.
13. A full transition plan will be developed to ensure a smooth implementation and control of risks. This will include consideration of any TUPE obligations, ongoing software licence requirements, IT system data migration and transition of the outstanding workload.

Should any issues arise concerning the transfer or contractual disputes around the terms of the exit, then legal support may be needed.

HR Implications

14. The existing supplier has been asked for a list of potential TUPE impacted staff. At present the indication is for c16 people who may be eligible at this point. Clearly the number may change in the lead up to the exit and final number of staff who wish to transfer will not be known until the end of the contract.

The costings provided include the implications of this and the possible need for additional temporary transition staff to assist with the transfer of activity. This will need to be passed through the Establishment & Recruitment Control Board for approval.

Other Implications:

Equalities Implications

15. No impact – this proposal is the increase of activity for an existing internal service. It is believed that there will be no impact on the end users of the service.

Community Safety Implications

16. No impact – this proposal is the increase of activity for an existing internal service. It is believed that there will be no impact on the end users of the service.

Climate Change and Sustainability Implications

17. No impact – this proposal is the increase of activity for an existing internal service. It is believed that there will be no Climate Change implications other than a very minimal change from Scope 3 emissions into corresponding Scope 1 & 2 emissions.

Health and Safety Implications

18. Minimal impact – discussions need to be had with Strategic Asset Management to ensure that suitable space is available should staff spend time working in the office.

Health and Wellbeing Implications

19. No impact – this proposal is the increase of activity for an existing internal service. Existing health and wellbeing considerations will apply to transferred or new staff.

Social Value

20. There may be a recruitment need which will be sourced locally bringing the potential for economic growth. These roles may be temporary to ensure a safe transition of the activity, or permanent depending on whether there are TUPE implications and staff do not wish to transfer.

Scrutiny comments / recommendations:

21. Scrutiny have approved this paper to proceed to formal sign off. Comments were made to highlight the importance of a managed transfer of data regarding Revs and Bens.

Background

22. In 2016 Havant Borough Council, Hart District Council, South Oxfordshire District Council, Vale of White Horse District Council and Mendip District Council entered into a contract with Capita for the provision of a number of their services. Since then, the various authorities have negotiated a number of changes to the contract which has resulted in the contract now consisting of only four services: IT, Revenues and & Benefits, Land Charges and Customer Services. Mendip District Council previously exited the IT service and the Customer Service provision only relates to Revenues and Benefits.
23. There is a clear approach to contract management across all the authorities and a clear structure for operational and strategic discussions.
24. The contract term ends in September 2025 and the authorities have been working on options for the future provision of services. As well as looking at in-sourcing and other contract options, this work has included considering a potential contract extension for two years.
25. The 5 Councils, Corporate Services contract with Capita commenced in April 2016 and will cease in September 2025. Mendip District Council was a party to this agreement. Within the contract is a provision for a two-year extension at the end of the current term.
26. Most of the authorities have exited the Customer Service provision and the remaining authorities are looking to progress with exit to enable them to meet their strategic customer priorities.
27. The services currently delivered by Capita on behalf of heritage Mendip District Council are:
 - Local Land Charges
 - Revenues and Benefits

- Customer Services Contact Centre – Revenues & Benefit calls

28. A summary of the current services provided is as follows:

29. LAND CHARGES

The Land Charges services are operated by Capita Business Services employees from remote locations, with very little need for office attendance.

There are approximately 6 FTE, and all staff are trained and able to work for any of the 5 authorities in order to address peaks and troughs in demand. It is assumed that these staff work on a generic basis and are therefore not assigned to any individual authority.

The Land Charges team access the Authorities owned Land Charges software, for Somerset this is Idox Uniform / Total Land Charges (TLC).

Capita publish the Land Charges register onto their open data solution SOCRATA. The data to populate SOCRATA derives from data stored on Somerset software (GIS/Idox Uniform TLC).

His Majesty's Land Registry (HMLR) intends to take over all Initial Title searches (LLC1). The date for taking on the Somerset work has not been set by the registry. There will be an initial information gathering stage prior to agreeing the transfer. Depending on the date set by HMLR this may impact on the number of staff eligible for TUPE. This will also impact the future SC team structure and numbers.

30. REVENUES AND BENEFITS

The Capita contract for the legacy Mendip area provides the full Revenues and Benefits Service and associated call handling. This uses Capita's national virtual network of shared service centres and homeworkers. Staff are based at Shape Mendip and Havant Councils. The National Non-Domestic Rates (NNDR) service, including telephone calls, is delivered from the NNDR shared service centre, located in Bromley. The council tax and benefits contact centre service operates from Capita's shared customer contact centre, located in Coventry. Staff delivering customer contact for council tax and benefits, are integrated into the Customer Services function.

31. Due to the Authorities not previously requesting disclosure the volume of FTE working across the 5 Councils or directly for Somerset is unknown at present, but this information has been requested.

32. Somerset's application consolidation project for Revenues and Benefits factored in the exit of the Revenues and Benefits services with the expectation that data from the software utilised by Capita will be migrated to the new Somerset solution prior to contract end in September 2025.

33. Exiting the service at the end of the existing council contract will require us to transition and integrate the following

- The service – workload and procedures (i.e. outstanding claims, changes in circumstances, change of address discount, exemption & relief applications, appeals, enforcement cases etc.
- Any staff who will transfer under TUPE.
- The IT systems and data

The transition will need to be completed by September 2025, the objective for transition is to undertake this activity in a way that minimises the impact on day to day service delivery for customers and on collection rates for the Council.

34. Key challenges

The transition and integration of the former Mendip element of the service will take place at the same time as the wider consolidation of the other legacy districts Revenues & Benefits teams and IT systems into a single service working on a single IT platform. Delivering this outcome is critical to our ability to maximise efficiency and cost savings within the service as a whole.

There are a number of distinct elements to the transition as outlined above i.e. staffing, workload & procedures, IT system & data. These overlap, but each will need to be properly managed and resourced over the transition period to ensure a successful outcome.

35. Initial estimates of the resourcing required to manage and implement the transition have been identified and are included with this report. However, these will need to be reviewed and fine-tuned following detailed engagement and transition planning with CAPITA and the other partners to the current contract.

36. Implementation

Should this proposal be approved, we will commence detailed discussions and exit planning with the supplier.

Key to the transition is the provision of accurate data to identify and agree the exit approach, develop the timeline and resourcing requirements. It is anticipated that this discussion will include consideration of

- A 'big bang' or phased transition
- The staffing requirements and TUPE consultation process.
- The approach to data migration and IT system consolidation.
- An agreement to exit costs and the management of these.
- A full transition plan with agreed approach to monitoring and control.

The implementation will be managed internally using existing staff.

37. Under this contract Capita currently occupy space at the Shape Mendip campus. As part of the implementation discussions will be held with Capita concerning whether they will exit their occupancy, or continue their use of this office space for non-Somerset Council related activity. At present, Capita have indicated that they would look to continue with a lower level of occupancy, accordingly they will need to agree a separate lease agreement, Strategic Asset Management team

are in contact with them.

Background Papers

38. None

Appendices

- Appendix A - Options appraisal
- Appendix B – Financial Implications

Assurance checklist (if appropriate)

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	02/07/24
Communications	Peter Elliott	11/07/24
Finance & Procurement	Nicola Hix	10/07/24
Workforce	Alyn Jones	02/07/24
Asset Management	Oliver Woodhams	02/07/24
Executive Director / Senior Manager	Jason Vaughan	02/07/24
Strategy & Performance	Alyn Jones	02/07/24
Executive Lead Member	Liz Leyson	02/07/24
Consulted:	Councillor Name	
Local Division Members	n/a	n/a
Opposition Spokesperson	Mandy Chilcott	08/07/24
Scrutiny Chair	Bob Filmer	19/06/24

Appendix A Options appraisal

Revenues & Benefits

Option	Advantages	Disadvantages
<p>Option R&B 1 - Retain existing scope of works with Capita.</p>	<ul style="list-style-type: none"> ▪ Reduces the workload for the system consolidation project. ▪ Continuity of an established team & service delivery 	<ul style="list-style-type: none"> ▪ Split Revs & Bens function across the council area potentially leading to inconsistencies of approach. ▪ Increased costs above existing contract price ▪ Restricts us in maximising efficiency savings. ▪ Increased risk of error or legal challenge through the different teams applying legislation or policy differently ▪ Requires us to retain client arrangements, staff & associated costs.
<p>Option R&B 2 - Migrate to SC Sept 25 (in-sourcing) <u>Preferred Option</u></p>	<ul style="list-style-type: none"> ▪ Allows us to create a single Somerset Council Revs & Bens team & service. ▪ Allows for single points of contact for external stakeholders. ▪ Enables a consistent approach to service delivery. ▪ Allows us to maximise efficiency savings. ▪ Enables consolidation to a single IT platform. ▪ Provides greater flexibility to utilise the team to deliver ad hoc Govt grant schemes. 	<ul style="list-style-type: none"> ▪ Comparatively short time frame for consolidating the service and IT system. ▪ Potential resourcing / skills shortages if staff don't TUPE transfer
<p>Option R&B 3 - Migrate entire service</p>	<ul style="list-style-type: none"> ▪ Potential to make cost savings (although this would be limited by contracting out a service which has NOT been consolidated & is part way through significant change) 	<ul style="list-style-type: none"> ▪ Would require a significant procurement exercise which is not currently in scope of procurement pipeline of activity.

<p>to new third-party Sept 25 (out-sourcing)</p>	<ul style="list-style-type: none"> ▪ Service delivery is the contractor’s responsibility. 	<ul style="list-style-type: none"> ▪ Limited marketplace ▪ The outsource supplier may not wish to retain the new system contract. ▪ Unrealistic to procure & implement a full-service transition by Sep 2025. ▪ The service has NOT been stabilised or consolidated post Vesting day – so it may be outsourcing a problem & potentially the ability for the contractor to make savings. This would also impact on the supplier’s ability to accurately price the arrangement without risk to the authority. ▪ Loss of a large element of control with outsourcing arrangements & additional work (e.g. administering Govt grants or policy changes) comes at additional cost. ▪ TUPE arrangements would be more complex as it would be from two organisations. This may cause resource issues within the SC HR team. ▪ Would need to fund and resource a client team
<p>Option R&B 4 - Transfer SC service to Capita (out-sourcing)</p>	<ul style="list-style-type: none"> ▪ Realistically this would require a fresh procurement, as adding the other legacy district services to the existing contract is a significant variation to the original contract sourcing – the advantages are as per Option 3 above, plus there would be some advantage from Capita being an existing supplier to the legacy Mendip area with long-term experience. 	<ul style="list-style-type: none"> ▪ Realistically this would require a fresh procurement, as adding the other legacy district services to the existing contract is a significant change to the original contract scope. ▪ It is possible that the other current member authorities would not want to reprocure and risk the need to transfer to a new supplier. ▪ – the disadvantages are as per Option 3 above, although Capita would benefit to an extent from their existing knowledge of part of the service

Land Charges

Option	Advantages	Disadvantages
<p>Option LR1- maintain current service with Capita</p>	<ul style="list-style-type: none"> • Continuity of an established team & service delivery 	<ul style="list-style-type: none"> • Split function across the council area potentially leading to inconsistencies of approach. • Increased costs above existing contract price • Restricts us in maximising efficiency savings. • Increased risk of error or legal challenge through the different teams applying legislation or policy differently • Requires us to retain client arrangements, staff & associated costs.
<p>Option LR2 - Migrate to SC Sept 25 (in-sourcing) <u>Preferred Option</u></p>	<ul style="list-style-type: none"> ▪ Allows us to create a single Somerset Council service. ▪ Allows for single points of contact for external stakeholders. ▪ Enables a consistent approach to service delivery. ▪ Allows us to maximise efficiency savings. 	<ul style="list-style-type: none"> ▪ Potential resourcing / skills shortages if staff don't TUPE transfer
<p>Option LR3 - Migrate entire service to new third-party Sept 25 (out-sourcing)</p>	<ul style="list-style-type: none"> ▪ Potential to make cost savings (although this would be limited by contracting out a service which has NOT been consolidated & is part way through significant change) ▪ Service delivery is the contractor's responsibility. 	<ul style="list-style-type: none"> ▪ Would require a significant procurement exercise which is not currently in scope of procurement pipeline of activity. ▪ Limited marketplace ▪ Unrealistic to procure & implement a full-service transition by Sep 2025. ▪ The service has NOT been stabilised or consolidated post Vesting day – so it may be outsourcing a problem & potentially the ability

		<p>for the contractor to make savings. This would also impact on the supplier's ability to accurately price the arrangement without risk to the authority.</p> <ul style="list-style-type: none"> ▪ Loss of a large element of control ▪ TUPE arrangements would be more complex as it would be from two organisations. This may cause resource issues within the SC HR team.
<p>Option LR4 - Transfer SC service to Capita (out-sourcing)</p>	<ul style="list-style-type: none"> ▪ this would require a fresh procurement, as adding the other legacy district services to the existing contract is a significant variation to the original contract sourcing – the advantages are as per Option 3 above, plus there would be some advantage from CAPITA being an existing supplier to the legacy Mendip area with long-term experience. 	<ul style="list-style-type: none"> ▪ this would require a fresh procurement, as adding the other legacy district services to the existing contract is a significant change to the original contract scope. ▪ It is possible that the other current member authorities would not want to reprocure and risk the need to transfer to a new supplier. – the disadvantages are as per Option 3 above, although CAPITA would benefit to an extent from their existing knowledge of part of the service
<p>Option LR 5 – maintain with Capita until HMLR changes effected</p>	<ul style="list-style-type: none"> ▪ Reduced activity for SC providing base data for HMLR. ▪ Potential for reduced TUPE liabilities 	<ul style="list-style-type: none"> ▪ Delay in delivering benefits. ▪ Capital may not agree to a short-term extension to just this part of the contract. ▪ Inconsistency of approach to HMLR transfer