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EXTRAORDINARY CABINET AGENDA

Membership: Councillor Cheshire (Chairman)

Councillors Briggs, Branson, Fairhurst, Guest and Weeks

Meeting: Cabinet

Date: Wednesday 10 December 2014

Time: 4.00 pm

Venue: Tournerbury Room, Public Service Plaza, Civic Centre Road,
Havant PO9 2AX

The business to be transacted is set out below:

Jo Barden-Hernandez
Service Manager – Legal & Democratic Services

2 December 2014

Contact Officer: Penny Milne 02392446234
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PART 1 (Items open for public attendance)

1 Apologies for Absence

To receive and record any apologies for absence.

2 Declarations of Interests

To receive and record any declarations of interest.

3 Chairman's Report

Cabinet Lead For Marketing and Development

4 Reletting the Corporate Services Contract

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Cabinet Lead for Planning and Built Environment

5 Havant Borough Community Infrastructure Levy: Amendment to the Havant Borough CIL Policy

Report to be circulated separately.

PART 2 (Confidential items - closed to the public)

None.

GENERAL INFORMATION

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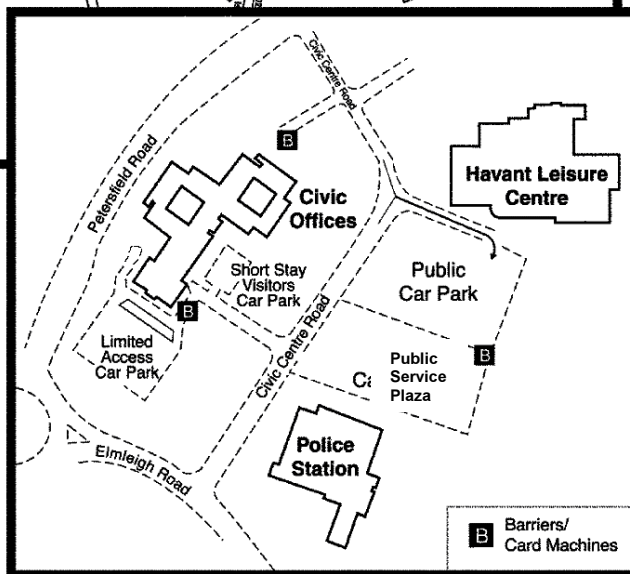
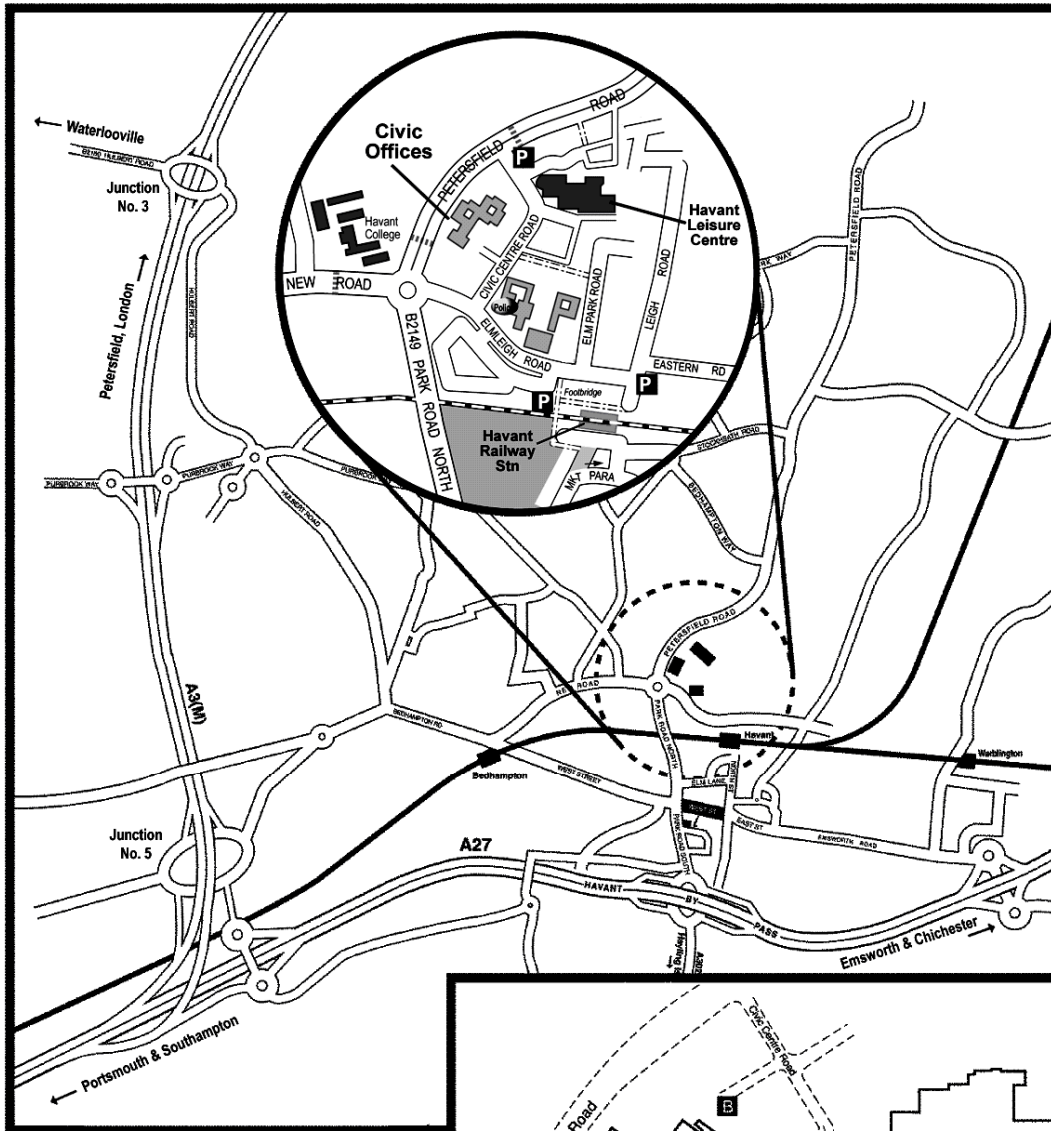
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NON EXEMPT

HAVANT BOROUGH COUNCIL

Cabinet

10 December 2014

RELETTING THE CORPORATE SERVICES CONTRACT

Executive Head: Governance & Logistics

FOR DECISION

Portfolio: Portfolio Holder for Marketing & Development

Cllr Mike Fairhurst

Key Decision: Yes

1. Purpose of Report

For Cabinet to authorise the market testing of the services in the current Revenues & Benefits and Customer Services contract in conjunction with 4 other councils and agree to extend the range of services to include Human Resources, General and Taxi Licensing, Land Charges, Property Advice and Facilities Management .

2. Recommendations

That Cabinet:

- 2.1. Authorise officers to enter into a partnership with South Oxfordshire District Council, Vale of White Horse District Council, Mendip District Council and Hart District Council to work in partnership to market test the services currently provided by the Revenues and Benefits and Customer Services contract.
- 2.2. Authorise officers to jointly market test a replacement for the Revenues & Benefits and Customer Services contract.
- 2.3. In addition to the current services in the contract, include Human Resources, General and Taxi Licensing, Land Charges, Property Advice and Facilities Management in the services in the joint market testing.
- 2.4. Delegate authority to the Executive Head of Governance & Logistics, in consultation with the Cabinet Lead responsible for internal contracts, to negotiate and approve the memorandum of understanding with other council partners and to approve the joint procurement strategy.

- 2.5. Delegate authority to the Executive Head of Governance & Logistics, in consultation with the Cabinet Lead responsible for internal contracts to approve the procurement strategy.

3. **Summary**

This report asks Cabinet to approve market testing the services contained in our Revenues and Benefits and Customer Services contract for 1 October 2017 in partnership with South Oxfordshire District Council, Vale of White Horse District Council, Mendip District Council and Hart District Council. It asks for an expansion of the scope of the contract to include: Human Resources, General and Taxi Licensing, Land Charges, Property Advice and Facilities Management. The report also tells Cabinet about the way the partnership intends to let the contract.

4. **Subject of Report**

4.1. **Background**

- 4.1.1. The Council's contract for the provision of revenues and benefits and customer services, currently provided by Capita, expires on 30 September 2017. Work to replace this contract would normally start in September 2015 with the decision on a procurement route in spring 2016. At that time the likely options would be:

- Bring the service back in house;
- Re-let the service to Capita through a framework such as the West Sussex framework, in a similar way to the Southampton framework re-let in 2008;
- Put a contract out to the market.

- 4.1.2. In July 2014 the Council was approached by the Chief Executive of South Oxfordshire and Vale of White Horse District Councils. He was putting together a group of councils with similar corporate services contracts to jointly procure a replacement with a view to obtaining higher savings than available as individual contracts and gaining more leverage with suppliers. Hart and Mendip District Councils have joined this partnership. Because of the end date of South Oxfordshire and Vale of White Horse's current contract, 31 July 2016, a decision on whether to join this partnership is needed earlier than on a more conventional tendering route.

4.2. **The advantages of joining this partnership**

- 4.2.1. With a potential £20m total value across the 5 councils the Council is likely to obtain better prices in the market than tendering alone or using a framework. Suppliers have suggested savings between 5% and 35%.

- 4.2.2. With a contract of this scale the Council is likely to obtain more interest from the market than a local tender. For example when Hart District Council last tendered its service it only received 1 bid and when we tendered our joint financial system we only attracted 2 bids and these did not include our incumbent supplier. Over 20 representatives attended a suppliers' meeting on the 5-council opportunity and 7 submitted a formal response to try and influence the way the Councils tender.
- 4.2.3. The proposal for a shared client side will lead to a smaller and cheaper client function for Havant.
- 4.2.4. The costs of tendering will be lower than tendering alone or negotiating as part of a framework because costs are shared 5 ways and the partnership has achieved a successful Transformation Challenge Award from the Department for Communities and Local Government which will pay for £125,000 of the tendering costs.
- 4.2.5. The risks of making mistakes when specifying services are lower with 5 councils inputting to the specifications than one council operating alone.

4.3. The disadvantages of this approach

- 4.3.1. The Council is likely to have to take out some type of indemnity against late withdrawal from the tendering because fewer councils will mean lower savings for the rest.
- 4.3.2. The market expects us, and we intend, to tender with shared specifications to obtain the best price. This will mean some loss of local flexibility.
- 4.3.3. Where services are included in the tender currently part of the existing partnership agreement with East Hampshire District Council, the Council could have to pay some compensation under the partnership agreement for leaving this partnership.

4.4. Other points for consideration

- 4.4.1. Savings will be lower if the Council does not commit to including services when the OJEU (Official Journal of the European Union) advert goes out in January. We can put in services later but the savings will not be as high.
- 4.4.2. Abandoning local delivery of these services, other than front desk customer services, will lead to greater savings within this opportunity. However, this could mean the loss of local jobs either working on our contract or Capita's other contracts, with a consequent impact on the Council's rental income. This loss is unlikely to offset the savings achievable by adopting this approach. Whether to ask for local jobs or not in this contract is not for decision at this stage.

4.5. The services

- 4.5.1. The ideal scope of services depends upon a number of factors such as market appetite, synergies, potential for scale efficiencies and the ability to deploy new technologies to achieve improvements in quality/efficiency of services. The project consultant, appointed by South Oxfordshire and Vale of White Horse Councils, has compiled an evidence base through consultation with potential suppliers ('market engagement'). Councils will not all include all services in the tender documents, because some have different arrangements already in place.
- 4.5.2. The consultant recommends the exclusion of democratic services, legal services and canteen/café operations from the joint procurement as they are markedly different to the remaining services, unlikely to be of interest to the suppliers attracted by the remaining services. The professional legal advice services are less transactional and less repetitive than many of the other services. Outsourcing companies have been unable to demonstrate the potential for significant value for money improvements over in-house provision. Their inclusion in the procurement could even put off some suppliers and compromise the benefits arising from the exercise.
- 4.5.3. The consultant also recommends the exclusion of other services in the same service area - general/taxi licensing, debt recovery work and land charges – for the same reasons. However, the Project Board believes these smaller services are more transactional in nature and would attract market interest. Being more repetitive and transactional they could be provided more cost-effectively by an outsourcing company and they should therefore be market tested.
- 4.5.4. Taking all of the above into account the services proposed for including in the market test, in addition to Revenues, Benefits and Customer Services are Human Resources, General and Taxi Licensing, Land Charges, Property Advice and Facilities Management
- 4.5.5. The management team recommends in addition that Exchequer Services, Payroll and IT be considered for future inclusion when their current partnership arrangements come to an end (Payroll and IT) and when the Personalisation Project is complete (Exchequer).
- 4.5.6. The market test will include some services, such as revenues and benefits, that all 5 councils will include but some additional services where only 2 or 3 councils will seek prices for. Services included by some partners but not suitable for Havant to market test are:

<u>Services to be excluded</u>	<u>Reason for exclusion</u>
Street Naming and Numbering	Very small service, savings not worth the cost of tendering
Accountancy	Shared service with East Hampshire including recently purchased shared Finance system (specification includes system replacement)
Data Capture & GIS	Small services shared with East Hampshire
Internal Audit	Partnership agreement with East Hampshire, Winchester, Southampton and Hampshire County
Procurement	Partnership in development with Gosport, Fareham, East Hampshire
Emergency Planning	Partnership with Hampshire County
Engineering and Flood Alleviation	Partnership with Gosport, Fareham and Portsmouth
Elections and Electoral Registration	Political risk
Cleaning public conveniences	Better packaged with other front line services
Car parks administration	Agreed to buy service from East Hampshire

4.6. Procurement Strategy

4.6.1. The project consultant has identified that the services recommended for market testing fall into two packages, each package attractive to a specific market of interested suppliers:

Citizen, corporate and support services (professional support services)	Technical, asset and location-based services
Human resources	Car park administration
Procurement*	Facilities management
IT*	Engineering/drainage
Data capture*	Property services
Street naming*	

Land charges

Licensing

Accountancy*

Internal audit*

Revenues & benefits

Customer services

* Not recommended for inclusion in Havant's package of services

4.6.2. It is proposed these two service packages will be market tested as two parallel procurements. This will appeal to the two different markets, ensuring best package proposals by the two separate groups of suppliers.

4.6.3. The market engagement exercise has also identified that the larger outsourcing suppliers may also be attracted to a more sophisticated 'managing agent' model where they act as prime contractor for delivering all services in both packages, but commission specialist 'best of breed' suppliers for certain services. Officers would structure the procurements and tender documents to allow for this individual package tenders as well as aggregated managing agent tenders. This will test whether one model offers greater benefit (and risk) over the other.

4.6.4. The project consultant has started to work with lead officers to design other elements of the procurement strategy including the specific EU procurement route (likely to be a form of competitive dialogue), the form of contract and the clienting arrangements. These need to be agreed and approved in the next two months ahead of the formal procurement exercise commencing early in 2015. In order to allow ongoing negotiations across the five councils and to avoid delays in obtaining the necessary approvals, it is recommended Cabinet delegate authority to the Executive Head of Governance & Logistics in consultation with the Cabinet Lead responsible for internal contracts to approve the procurement strategy. Details will also be discussed at the project board meetings.

4.7. Inter-council governance arrangements

4.7.1. South Oxfordshire and Vale of White Horse District Councils have an earlier contract re-tender deadline and have therefore proposed much of the project arrangements up to this point. It is vitally important that all five councils feel equal partners in any joint procurement exercise. That includes agreeing joint governance (decision-making) arrangements, risk-sharing and bearing fair shares of the financial burden. It is proposed that a memorandum of understanding will be agreed by all council partners in the next four months to cover the

various mutually binding commitments needed to proceed through to contract.

- 4.7.2. It is recommended that Cabinet delegate authority to the Executive Head of Governance & Logistics in consultation with the Cabinet Lead responsible for internal contracts to negotiate the memorandum of understanding with other council partners and to approve that memorandum.
- 4.7.3. To ensure the proper management of the project there is a Project Board, at which the Council will be represented by the Cabinet Lead responsible for internal contracts and an Executive Director; a Project Steering Group at which the Council will be represented by the Executive Head of Governance & Logistics and a series of small groups focused on individual services that the relevant service managers will attend.
- 4.7.4. To deliver the project the 5 councils will be supported by a specialist procurement project manager and a specialist legal team. The costs of these services are estimated to total £375,000. Of this the Government has funded £125,000 following a successful Transformational Challenge Award bid in the autumn. The remainder of the costs will be shared equally by the partners meaning Havant Borough Council will make a contribution of £75,000 over the next 3 years. These fees will be included in the 2015/16 budget for approval by full Council in February 2016.

5. Implications

5.1. Resources:

- 5.1.1. Continuing this project will cost £25,000 a year in 2015/16, 2016/17 and 2017/18. This will be built into the budgets for approval by Council in February 2016. Discussions with companies likely to tender for the contract have suggested savings will be between 5 and 35% on the current cost.
- 5.1.2. The project will continue to need considerable staff and Councillor input, especially from the Executive Head of Governance & Logistics and the Service Managers for Human Resources, Revenues and Benefits, Property and Planning. This will impact on their workloads during the next 3 years, and will be factored into the preparation of annual business plans and individual performance agreements.

5.2. Legal:

- 5.2.1. The council must comply with EU procurement regulations to secure competitive tenders and to minimise the risk of challenge. The appointed consultant, our procurement officers, legal officers from the 5 councils and external legal officers will advise on a compliant and successful procurement exercise. The procurement strategy, which will

set out our approach, will be discussed with the Cabinet Lead, the project board and approved in due course.

5.2.2. Partnering with other councils introduces added complexity and risks, which are likely to require new legal agreements between all councils and strong governance arrangements, starting with a memorandum of understanding in early 2015.

5.2.3. Should the Council choose to agree the recommendation to outsource any in-house services there will be further complexities and liabilities such as arising from the transfer of staff to the preferred contractor. Any resulting issues and risks will be identified through the process, reported to councillors and mitigated/managed through the development of the new outsourcing contract.

5.3. **Strategy:**

This tendering will support the Council's strategic aim of financial sustainability by delivering the same, or better, services for a lower cost.

5.4. **Risks:**

5.4.1. This will be a major procurement and project with significant risks arising. The following risks have already been identified and will be added to throughout the project:

5.4.2. Political/reputational – that the project attracts negative publicity (mitigate by regular updates to the Executive Board and Cabinet).

5.4.3. Professional – that by outsourcing certain professional skills, the partners lose that expertise in-house (mitigate by each partner carefully assessing the outsourcing of each service and ensuring contractual provision of such services).

5.4.4. Financial – the project savings targets are not achieved and the tenders are higher cost (mitigate by carefully drafting the specification and draft contract, choice of procurement route to provide flexibility, establishing accurate cost base on which to benchmark tender costs, identifying volumes, thorough consideration of risk allocation - ultimately the councils can choose not to accept any tender that does not offer better value for money).

5.4.5. Legal – challenge possibly due to breach of procurement or TUPE regulations (mitigate by inclusion of procurement and external legal expertise on project team to ensure compliance).

5.4.6. New Partnership – that the new partnership breaks down and we fail to agree single specifications (mitigate by upfront acknowledgement of equal partner status and collective acceptance of compromise, senior officers and politicians on the project board to escalate and resolve disagreements, partnership spirit embraced by all, clear memorandum of understanding).

- 5.4.7. Partnership (East Hampshire) – there are risks where we unpick services currently shared with East Hampshire that we could have compensate that council if it incurs any costs .
- 5.4.8. Staffing – the uncertainties around job security and long term prospects may cause some staff to look elsewhere and resign rather than be TUPE-transferred to an outsourcing company. This could disrupt service delivery causing extra management pressures, for example reduced responsiveness (mitigate by staff representation on the project team, frequent communication, staff involvement at three influential stages and the parallel delivery of a separate change support programme to support teams and individuals).

5.5. Communications:

Staff currently employed by the Council and whose jobs are likely to be transferred as part of this change have been told about the proposal. Managers will continue to support them during the change.

Customer consultation will form part of the project plan.

5.6. For the Community:

This contract will make savings for the Council. These will help the Council continue to deliver its strategic aims of providing excellent public service, in a time of reducing funding, while minimising the impact on the council taxpayer.

- 5.7. **The Integrated Impact Assessment (IIA):** will be completed during the process of developing the service specifications so that any adjustments can be incorporated into the contractual requirements.

6. Consultation

None at this stage

Appendices: none

Background Papers: none

Agreed and signed off by:

Legal Services: 27/11/14

Executive Head: Governance & Logistics: 26/11/14

Executive Director: 28/11/14

Portfolio Holder: 30/11/14

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