

READING BOROUGH COUNCIL

REPORT BY CHIEF EXECUTIVE

TO:	POLICY COMMITTEE		
DATE:	9 APRIL 2018	AGENDA ITEM:	10
TITLE:	RESILIENCE CONTRACT FOR REVENUES AND BENEFITS SERVICES		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	PORTFOLIO:	CORPORATE SUPPORT SERVICES
SERVICE:	POLICY/FINANCIAL	WARDS:	BOROUGHWIDE
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1. EXECUTIVE SUMMARY

1.1 This report sets out proposals to enter into a contract with Capita Business Services Ltd by direct award for the provision of ongoing resilience and quality checking services for the Revenues and Benefits Service.

1.2 These services are currently provided by Capita and support the delivery of the overall workload in the Revenues and Benefits service, particularly related to the assessment of Housing Benefit entitlement and ongoing amendments such as change of circumstances. Current and future projected workloads mean that there will be an ongoing requirement for the provision of these services to ensure that residents receive Housing Benefits entitlement in a timely and efficient manner.

2. RECOMMENDED ACTION

2.1 To agree that the Council should enter into contract with Capita Business Services Ltd for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 with a value that will not exceed £181,302 to provide Revenues and Benefits resilience and quality checking services.

3. BACKGROUND

3.1 The table below shows the change in Housing Benefit caseload (people receiving help with their Rent or Council Tax) over the last four years:

Year	'Live' Housing Benefit cases
March 2015	15,260
March 2016	14,609
March 2017	13,381
March 2018	13,164

- 3.2 Whilst this fall in caseload is welcomed, the Council continues to see the number of change in circumstance amendments rising. This is primarily due to Reading being an area of high employment, with around 33% of Housing Benefit caseload requiring changes due to customers moving in and out of employment. A high proportion of these customers have numerous entitlement changes throughout the year including changes to tax credits, childcare, alterations to wages and hours of work. In addition there are also a high number of customers claiming Housing Benefit because they are on zero hours contracts as well as a large proportion of self-employed customers.
- 3.3 All these factors make the Housing Benefit caseload complicated to administer and the sheer volume of changes means that Reading is seeing higher than average demand for their service. The Council is currently receiving on average 75-100 new claims and up to 1,400 change in circumstances each week, with automated notifications from DWP/HMRC increasing workloads since introduction eighteen months ago. The workload has also increased with the roll out of the digitalised Universal Credit Service from December 2017.
- 3.4 This increase has been at a time when resources have been constrained. Difficulty in recruiting skilled permanent Housing Benefit assessors and Council Tax staff has meant that the service has had to deal with backlogs when there are spikes in the volumes of work coming in. This can create delays for residents who are claiming Housing Benefits and paying Council Tax.
- 3.5 To reduce the impact on residents and claimants the Council entered into a resilience partnership arrangement in 2013. The purpose of this arrangement, which is widely used by other local authorities, is to provide additional processing capacity and capability off-site to meet service demand. This arrangement was further extended in 2015 to include additional quality checking services, which is a requirement to ensure the accuracy of Housing Benefit payments and support the Housing Benefit subsidy system.

#### **4.0 SERVICE PROVISION AND COST**

- 4.1 The current resilience service is provided by Capita Business Services Ltd and supports processing circa 1,000 items per month, primarily related to Housing Benefit claims, including change of circumstances, electronic notifications from the DWP (ATLAS) and student claims. Through 2016/17 the Council has adopted an approach of not filling certain vacancies for Housing Benefit assessors but instead using additional external resilience capacity. This approach has been implemented to provide the organisation with flexibility, and to protect permanent staff from future changes in service demand, particularly related to reductions in volumes resulting from the introduction of Universal Credit. It also builds maximum flexibility into the organisational structure to take account of any future externalisation of the service following market testing in 2018. As a result of this approach, the Benefits Service is currently holding vacant three posts with associated salaries of £110k. This is being used to part fund the resilience partnership together with an additional £70k which is built into current budgets.
- 4.2 Taking account of these vacancies, the capacity of the current Housing Benefit processing team is in the range 900 - 1100 items of processing per week. As

indicated the Council is currently receiving on average 1,400 items of work each week leaving a capacity shortfall on average of about 400 items per week<sup>1</sup>.

- 4.3 Following discussions with Capita Business Services it has been agreed that from April 2018 the off-site volume of processing will increase to 1,500 per month (subject to an agreed cap in cost of the overall service). This figure is calculated based on assumptions regarding current work volumes, reduced to take account of the impact of Universal Credit over the next twelve months.
- 4.4 The table below shows the volumes and costs of the service over the last two financial years together with a projection of the volumes and costs for the financial year 2018/19:

Item Category	2016/17		2017/18 (10 months)		2018/19 (Projection)	
	Items	Cost	Items	Cost	Items	Cost
Housing Benefit processing – including change of circumstances, ATLAS, student cases	11,124	£87,937	9984	£84,786	18,000	£152,820
Housing Benefit Quality Checking	1062	£11,210	1808	£20,285	2,100	£23,562
<b>Total</b>	12,186	£99,147	11,792	£105,071	20,100	£176,382

- 4.5 The service is provided via a remote secure connection using dedicated access for Capita staff to the Reading Borough Council ICT systems. Work items are entered into the system and Capita staff pick-up the relevant items for processing. A service level agreement exists with Capita to manage performance including turnaround times, accuracy and quality measures.
- 4.6 The overall cost of the resilience service compares favourably with the cost of undertaking the work in-house or via agency staff, when you take account of staff recruitment, training and employment costs etc. and based on current productivity levels. A comparison of costs is shown in the table below:

Delivery Option	Cost per hour £
Permanent In-house staff cost <sup>2</sup>	£20.86
Resilience cost <sup>3</sup>	£21.22
Agency staff cost <sup>4</sup>	£22.50

<sup>1</sup> Calculation based on current average staff productivity of 2.5 items per hour. Work continues to improve productivity levels.

<sup>2</sup> This is calculated based on the top of the grade for a HB assessor salary including on-costs, allowing for the cost of recruitment, on-going staff training, overtime and associated employment costs.

<sup>3</sup> This is calculated based on an assumed productivity of 2.5 items being undertaken per hour (based on a change of circumstances item) with a current average cost of £8.49 per item

<sup>4</sup> This is calculated by reference to Reading BC agency agreement cost

## 5.0 PROCUREMENT

5.1 For Capita to continue to provide the service there is a requirement to enter into a new contract for the period from the 1<sup>st</sup> April 2018 - 31<sup>st</sup> March 2019. Capita have requested an indication of volumes and phasing of work so that they can secure resources and availability.

5.2 Following procurement advice it is recommended that a direct award is made to Capita using the ESPO framework 664. A direct award in this situation is preferable for the following reasons:

5.2.1 Investment has been made in the current service arrangement, including IT connections and agreed resources. The service works effectively and it is judged that the cost and work to change these arrangements for a one year period would not offer value for money.

5.2.2 There is a limited number of companies that provide these services and from previous 'soft market' testing exercises it is judged there is limited value to the council in a procurement exercise for these services as pricing remains broadly similar.

5.2.3 The Revenues and Benefits service is subject to a market testing exercise in 2018 (proposal agreed at Policy Committee 19<sup>th</sup> Feb 2018) and these services will form part of this procurement. It is therefore only appropriate to enter into a contract for a maximum of one year.

5.2.4 The need for continuity and ongoing support is critical for the Revenues and Benefits service and therefore the risk of disruption to the service is reduced by retaining the existing arrangements.

5.3 Should members approve the direct award, officers will enter into the discussions with Capita to ensure arrangements are in place to secure a cost effective and efficient scope of services. Regular review points will be included in the contract to ensure performance, resourcing and effective delivery are received from the supplier.

5.4 It should be noted that the award of the contract is exempt from the requirement to seek competitive quotes in accordance with Contracts Procedure Rule 4.2.e:

"e. The works, services, or supplies are obtained by calling-off from a framework agreement, where this can be demonstrated to offer best value..... by:

(1) application of the terms laid down in the framework agreement without reopening competition....."

## 6 CONTRIBUTION TO STRATEGIC AIMS

6.1 Contribution to the delivery of the Corporate Plan, Narrowing the Gaps, key priority, 'Remaining Financially Sustainable'.

## 7 COMMUNITY ENGAGEMENT AND INFORMATION

7.1 None which impact the community from the current service provided.

**8 LEGAL IMPLICATIONS**

8.1 Exempt from requirement for competitive procurement by virtue of Contracts Procedure Rule 4.2.e.

**9 FINANCIAL IMPLICATIONS**

9.1 Costs associated with the resilience contract are contained within existing budgets. Contract value below the OJEU limit of £181,302 for services.

**10 BACKGROUND PAPERS**

10.1 None.