

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	STRATEGIC SERVICES PARTNERSHIP (SSP) CONTRACT: EXTENSION AND RE-NEGOTIAION		
DATE OF DECISION:	16 OCTOBER 2013		
REPORT OF:	Leader of the Council		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Rob Harwood	Tel: 023 8083 3436
	E-mail:	Rob.Harwood@southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	Mark.Heath@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
<p>Appendix 1 and 2 of this report is not for publication by virtue of categories 3 (financial and business affairs) and 7A (obligation of Confidentiality) of paragraph 10.4 of the Council's Access to Information Procedure Rules as contained in the Council's Constitution.</p> <p>It is not in the public interest to disclose this information as this appendix contains confidential and commercially sensitive information supplied by Capita Business Services Limited. It would prejudice the Council's ability to operate in a commercial environment and obtain best value in negotiations and would prejudice the Council's commercial relationships with third parties, if they believed the Council would not honour any obligation of confidentiality.</p>			

BRIEF SUMMARY

This report outlines the current changes which are proposed to the SSP contract recognising both that negotiations are continuing and that consultation is ongoing and provides scrutiny members with the opportunity to review progress.

The contract for the Strategic Services Programme (SSP) with Capita Business Services Limited (Capita) commenced on 1 October 2007 for a term of 10 years. The outsourced services comprise Customer Services, IT Services (including printing services), HR and Payroll Services (including health & safety, learning & development and occupational health), Property Services (comprising professional construction related services and valuation and estates management services), Local Taxation and Benefits Services and Procurement Services.

Following negotiations, pursuant to the provisions in the SSP contract allowing for its extension, the Director of Corporate Services will be seeking authority to extend the contract by five years and to implement simultaneously changes to the contract which are set out in this report as far as they are known and agreed. Five years is the maximum extension permitted under the SSP contract and the EU contract notice under which it was originally awarded and the extension would mean that the expiry date of the SSP contract would become 30 September 2022 (rather than the currently scheduled 30 September 2017).

In conjunction with service amendments included in the contract changes, it is currently estimated that the extension would produce forecast net savings for the

Council of £24M over the period from 1 December 2013 (the intended date of implementation of the contract extension) to 30 September 2022.

Further benefit would accrue to the City Council from the flexible charging mechanisms included in the proposed contract changes, which would enable the Council to deal with changing demand for many of the services delivered under the SSP in the future in a way which is more appropriate than the originally structured contract given the less predictable environment we now find ourselves in.

Service delivery would be modernised in Customer Services and IT Services and revised Governance arrangements would be introduced.

The purpose of the report to Full Council is to enable Council to make a Policy Framework decision. Full Council will be invited to express a view as to whether or not the SSP contract should be extended. This would form an addendum to the Council's Policy Framework.

If the Full Council makes a Policy Framework decision to proceed, the Executive will then need to implement that decision. If the decision is to extend the SSP contract, the Director of Corporate Services, who has overall responsibility for the SSP, together with the Head of Legal, HR and Democratic Services, will be given joint delegated authority to agree the detailed terms and conditions. The Head of Legal HR and Democratic Services will be given authority to complete the necessary legal documentation.

RECOMMENDATIONS:

- (i) That the Committee discuss the issues raised within the report and make recommendations as appropriate / note progress to date.
- (ii) That the Committee note the currently drafted recommendations detailed below that will be set out to Full Council and Cabinet respectively.

Full Council

- a) Approves as a Policy Framework decision, the extension of the SSP contract with Capita Business Services Limited for five years, so that its expiry date becomes 30 September 2022 (extended from 30 September 2017), subject to the changes to the contract described in this report being made simultaneously.
- b) Recommends that the Executive implements the Policy Framework decision to extend the SSP contract by 5 years
- c) Delegates authority to the Director of Corporate Services, the Chief Financial Officer and the Head of Legal, HR and Democratic Services to agree the detailed terms and conditions.
- d) Authorises the Head of Legal HR and Democratic Services to enter into the necessary legal documentation.
- e) Approves the introduction of an IT Development Reserve to smooth the cost of future capital expenditure needed to maintain the desktop estate and associated hardware on an ongoing basis, thereby enabling effective planning to be undertaken over the medium term.
- f) Approves the introduction of a Pension Reserve to manage expenditure associated with employers pension contributions payable to the Hampshire Pension Fund for TUPE staff over the term of the

contract and smooth the impact on the General Fund revenue budget in any one year.

- g) Notes and endorses the governance arrangements set out in Appendix 3 (in so far as they are matters for Full Council).
- h) Authorises the Director of Corporate Services, the Chief Financial Officer and the Head of Legal, HR and Democratic Services to take any further action necessary to give effect to the decisions of Full Council and the Executive in relation to this matter.
- i) Notes that these decisions will form an addendum to the Council's Policy Framework.

Cabinet

- a) Notes that on 20 November 2013 Full Council approved the extension of the SSP contract with Capita Business Services Limited by five years with a new expiry date of 30 September 2022 (extended from 30 September 2017), subject to the changes to the contract described in this report being made simultaneously.
- b) To implement as a consequence of the Full Council's Policy Framework decision, the extension of the SSP contract by 5 years
- c) Notes that authority has been delegated to the Director of Corporate Services and the Head of Legal, HR and Democratic Services to agree the detailed terms and conditions.
- d) Notes that the Head of Legal, HR and Democratic Services has been authorised to enter into the necessary legal documentation.
- e) Notes and endorses the governance arrangements set out in Appendix 3 (in so far as they are matters for the Executive).
- f) Authorises the Director of Corporate Services and the Head of Legal, HR and Democratic Services be authorised to take any further action necessary to give effect to the decisions of Full Council and the Executive in relation to this matter.

REASONS FOR REPORT RECOMMENDATIONS

1. To ensure that Overview and Scrutiny Management Committee (OSMC) are aware of the progress made to date on the Relaunch negotiations which are aiming to:
 - Make a contribution towards the financial savings the Council has to find.
 - Improve flexibility in the charging mechanisms under the SSP contract, so that the charges under the SSP contract can more closely and more quickly reflect the changing size of the Council's operation in the future.
 - Modernise service delivery under the SSP contract, particularly in relation to Customer Services and IT Services.
 - Postpone the cost of re-procuring, or bringing back in house, the services.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None.

DETAIL (Including consultation carried out)

INTRODUCTION

3. The prevailing pressures on the Council's budget mean that it cannot afford the SSP contract in its current form. Also, the contract does not contain sufficient flexibility to enable the Council to deal with changing demand for many of the services delivered under the SSP in the future in a way which is more appropriate to the less predictable environment we now find ourselves in.
4. There are a number of alternative options which could have been pursued:
 - Do nothing and allow the contract to expire naturally at the end of September 2017. This option was not pursued, as it would do nothing to help meet the Councils current financial challenges, improve flexibility or modernise service delivery
 - Terminate the contract and bring the services back in house. This option was not pursued, as it was deemed unaffordable (as set out in Appendix 1). In addition, this option would increase the Council's exposure to equal pay issues and require the Council to rebuild a management structure and recruit staff, depending on the mix of human resources transferring back to the Council under TUPE.
 - Terminate the contract and re-procure the relevant services. This would involve many of the costs associated with bringing the services back in house and would also require budgetary provision to be made for the cost of the procurement process. It would also probably be a more difficult process to manage than bringing the services back in house, there would be a substantial lead time and there is no guarantee that the services could be re-procured at lower cost. As a consequence, this option has not been pursued.
5. Therefore, negotiations commenced with Capita in 2012 with a view to reducing the cost of the SSP contract and reshaping the contract to improve the long term flexibility and governance of the SSP. There were two submissions from Capita of its "SSP Relaunch" proposal, one in September 2012 and the other in November 2012 following discussions on the initial submission. The absence of competitive tension during the negotiations has resulted in a longer elapsed time to reach acceptable terms to the Council.
6. The negotiations have focused on:
 - Realising immediate savings in the fixed charges by extending the contract by five years and by agreeing changes to service delivery
 - Enabling future savings by introducing flexible charging mechanisms, which would allow the charges to flex with changes in demand for the outsourced services.
 - Ensuring limited termination costs after the expiry of the current contract period in September 2017 should the Council choose to terminate the

contract after that point in time.

7. As an interim measure during the course of the negotiations, savings initiatives from the SSP Relaunch proposal, which could be developed and delivered relatively easily, have already been implemented under the SSP contract change control procedure to take effect in accordance with the budget set for the current financial year, 2013/14. These “early implementation” savings are set out in Appendix 1 to this report and they will continue to accrue regardless of the decision that is made in respect of a five year contract extension.
8. An additional interim measure adopted from the SSP Relaunch proposal has been the cessation of service level agreements between the Council and schools for the provision of IT Services and HR and Payroll Services with effect from 1 April 2013. This has removed from the SSP contract the work required to support these service level agreements and Capita now seeks to contract directly with schools for the provision of the relevant services. This has reduced the fixed charges under the SSP contract which balances the related loss to the Council of income from schools. More importantly, the change has transferred to Capita the risk of schools choosing not to take up the services.

CURRENT SHAPE OF THE PROPOSAL

9. The result of the subsequent negotiations on the remaining savings initiatives within the SSP Relaunch proposal, relating to services currently in scope, is that an extended contract, in conjunction with the changes to service delivery proposed in this report, would deliver the following benefits to the Council in addition to those already secured through the “early implementation” savings:
 - Forecast net savings for the Council of £24M over the period from 1 December 2013 (the intended date of implementation of the contract extension) to 30 September 2022, as set out in Appendix 1 to this report.
 - Flexible charging mechanisms to enable the Council to deal with changing demand for many of the services delivered under the SSP in the future in a way which is more appropriate than the originally structured contract to the less predictable environment we now find ourselves in and offer the potential for future savings.
 - Revised measure of indexation to be applied to the charges, which will better balance risk through the more accurate reflection of the inflationary pressures that affect the cost of providing the services.
 - Manageable termination compensation from September 2017, which would not inhibit the City Council from considering terminating the contract at or after that point.
 - Revised governance as set out in Appendix 3 to this report, which would reinforce co-operation on the part of both parties to work together to leverage benefits in support of the Council’s change programme and key strategic priorities.
 - Developing One Guildhall Square (OGS) as a regional business centre,

creating opportunities for local people.

- Corporate social responsibility (CSR) commitments from Capita, including a commitment that the changes in the SSP Relaunch proposal will be “jobs neutral”, that is any job losses arising from the savings initiatives will be off set with work for other clients delivered in OGS. In the past 12 months Capita has brought 95 FTE jobs into the City.
 - Settlement of several long outstanding commercial issues within IT Services, including responsibility for upgrading software infrastructure, charging for the impact of projects on support requirements, the impact of third parties on Key Performance Indicators (KPIs) and late delivery of the disaster recovery (DR) service and of Lagan (CRM) integrations.
 - Innovation and transformation in Customer Services and IT services.
 - Profit Sharing / Gain Sharing arrangements are under review but at this stage are still the subject of negotiation.
10. The above benefits are not dependent on the outsourcing of additional services to Capita and more detail is set out in Appendix 1 to this report, which contains the key commercial and financial considerations for the SSP.
11. The following paragraphs provide additional information on some of the benefits which will be delivered

Flexible Charging

12. The SSP contract is currently based largely on fixed service charges, which are subject to a review procedure when there is a departure from the stated assumptions and/or volumes for a particular service area. However, the review procedure does not produce an automatic result and any outcome is often dependent on the result of protracted negotiation. One of the objectives for the Council in negotiations on the SSP Relaunch has been to achieve greater control and influence over the charges. The aim has been that a greater proportion of the fixed service charge should be subject to flexible charging mechanisms resulting in a more automatic adjustment to the fixed charge as service drivers or volumes vary through agreed bands. This is not the same as variable charging, which constantly varies according to volumes and unit prices. Flexible charging mechanisms would exist in the following service areas:
- IT Services – Based on volumes of end user devices, data lines to supported sites, home-working and software or applications supported.
 - HR and Payroll Services – Based on volumes within discrete parts of the service, such as payroll and learning & development.
 - Customer Services – Based on contact time on telephone calls, in Gateway and on mail handling.
 - Local Taxation and Benefit Services – Based on volumes of properties for council tax, business premises for NNDR and applications for benefits.
13. Property Services (to the greater extent) and Print Services (entirely) are already charged for on a variable basis and so flexible charging has not been further pursued in these service areas. In addition, it is considered that the Health & Safety Service does not lend itself to flexible charging, and

presently there is also no flexible mechanism for Procurement Services

14. The adoption of more flexible charging mechanisms will increase the Council's ability to plan for the consequences of change in the Council's operations in the future. Further information about the potential financial impact of these mechanisms is set out in Appendix 1.

Termination Compensation

15. Capita is not seeking to extend the time span of the existing obligation of the Council to pay compensation for loss of profit on termination for convenience (that is termination at the election of the Council).
16. Capita will however require a separate provision for clawback of profit which it is proposed will be smoothed. The draft payment obligations that would arise on early termination under this new provision are set out in Appendix 1.
17. Consideration should be given to putting aside a portion of the savings equal to the profit clawback payable in 2017, to fund termination of the contract at that point. This would enable the Council to retain ultimate flexibility at that point in the event that the anticipated benefits of the SSP Relaunch do not materialise. Any decision to set aside a portion of the savings can be addressed as part of the development of the budget for 2014/15 or future years.

Regional Business Centre

18. Capita aims to create a shared service centre within OGS for the delivery of services to other customers and has already secured business from the London Borough of Lambeth, Hart District Council, Havant Borough Council and the Houses of Parliament, thereby creating jobs in Southampton.
19. However, the certainty of service delivery in OGS required by further prospective clients of Capita is undermined by the current SSP contract having less than five years to run, making OGS less attractive than other Capita business centres such as Swindon or West Sussex. New service contracts are rarely let for less than five years and typically are let for between five and ten years.
20. An extension of the SSP contract period to 30 September 2022 would make OGS much more attractive to prospective Capita customers as a shared service centre, offering greater opportunities for new jobs and investment in Southampton. Capita has committed to remain in OGS, if the contract extension proceeds and the Council will benefit from this.

Corporate Social Responsibility (CSR)

21. Capita is already an active participant in Business Solent and is represented on the board of Business South. The CSR obligations which it is prepared to take on within the SSP Relaunch price are set out in Appendix 9 to this report.
22. These activities will provide real opportunities for local people to gain experience of working for a FTSE100 company and support local business. Local jobs in Capita would be publicised as alternative employment opportunities for displaced Council employees.

CHANGES TO SERVICES

23. The main changes to each of the services, (with the exception of Property Services which is unchanged as a result of the Relaunch), are summarised below.

HR and Payroll Services

24. Payroll Automation - Capita would, through online forms and/or bulk upload spreadsheets, provide automated processing by Council managers of overtime, timesheets, expenses, casual claims, sickness and restructures (redundancy and post changes). These automated processes would be mandated to the exclusion of manual systems in order to eliminate double keying (the second time by Capita).
25. Payroll Simplification - The existing five payrolls (600 weekly payees; 450 fortnightly payees; 25 claims payees; 100 foster carers, etc payees; 5,000 monthly payees) could be simplified to a single monthly payroll. This would reduce the administrative burden on the Capita payroll service and be in line with the practice of most local authorities. Full consultation will be undertaken with the unions before implementation is progressed and transitional arrangements would assist staff to transfer to monthly salary payments. This consultation will be undertaken as part of the 2014/15 budget process.
26. Job Evaluation - The current NJC job evaluation process would be reviewed and the administration required from Capita and the Council would be reduced by adopting a core suite of job descriptions within job categories and job families. Job evaluations would only have to be carried out by exception. A full review of the Council's roles and existing job descriptions would be undertaken in consultation with the unions. Progression of this change will be undertaken as part of the 2014/15 budget process.
27. Learning and Development - The service would be re-designed to be more flexible in response to the needs of the Council and be provided with 20% less FTE resource by Capita.

Customer Services

28. Channel Shift Through Web Self-Service - This would be based on internet technology, to enable customers to use a quicker and more efficient channel, available 24/7, to access those of the Council's services which are suited to this type of transaction. Capita would use this technology to put online its existing automated processes for service lines within the Contact Centre, thereby driving down the call handling time in the call centre, enabling Capita to offer a saving in fixed charges in the SSP Relaunch pricing. This technology is also key to transformation to the new target operating model in the People Directorate, and will allow other areas of the Council to exploit channel shift to drive savings in back office processes.
29. Gateway Refurbishment - In order to facilitate the movement of customers to the web-based channel, Gateway would be refurbished and self serve terminals installed. This work is planned for 2014.

30. E-Forms - All relevant paper forms would be replaced with an electronic version and the paper version would only be available on request. Gateway would no longer offer to check paper forms as they are handed in by customers. These measures would encourage the use of online forms or other automated processes.
31. Automated Switchboard - All telephone customers would go through a full interactive voice response (IVR) solution with messages to encourage use of the web self-serve channel or other automated processes, before an option was presented to talk to a customer service agent (CSA). It would therefore take longer to speak to a CSA, if that is what the customer wanted or needed to do. Many organisations, including the London Borough of Lambeth for whom Capita provide customer services in OGS, now use automated telephony for their switchboard function. This is a proven technology, developed over many years.
32. Face to Face Appointments - Except for vulnerable persons, face to face appointments with a CSA would only be able available to customers after triage in Gateway or on calling the Customer Service Centre (CSC). After triage, appointments would only be booked for a later date. The objective of the triage process would be to ensure that face to face appointments were offered only when the relevant process had to be done in Gateway. For example, because there was not a relevant online process or other automated process, signatures were genuinely required or verification by a CSA was required of proofs in documentation provided by the customer. Internet booking would not be available for face to face appointments, because it would undermine channel shift to web-based services. Contacts involving vulnerable persons would attract a same day face to face appointment and any customer (or other person involved in their enquiry) would be included in this category who:
- was unable (as opposed to unwilling) to use the online processes or other automated processes for self-service;
 - was facing an imminent threat to their safety (including domestic violence or homelessness); or
 - would face an increased risk of loss of or damage to personal property or personal injury from delayed action.

IT Services

33. Flexible Staffing - Capita would have the flexibility to deploy staff on the provision of IT Services from within and outside the administrative boundary of the Council. Exceptions to this would be Capita's Head of IT Operations, the local Engagement Office (account and project management) and the most complex infrastructure and network support work, all of which would continue to be provided from OGS. Also, projects would be charged on an agreed set of rates, wherever the work was carried out.
34. Investment - Capita would invest in technology and business process re-engineering, including online benefits forms and greater integration of Lagan CRM with the Council's website, to promote the web-self-serve as a channel for Council services.

35. Cloud/Shared Support Services - Capita would virtualise 80% of the Wintel servers by 1 May 2016, consolidating applications on fewer servers, to enable migration of software applications supported under the SSP to the "Cloud" or to a shared service centre off-site and outside Southampton. The migration would be subject to Capita obtaining the Council's approval, on a case by case basis, of KPIs relating to the relevant application after migration and of subsequent exit arrangements (including the cost of continued support on a scalable subscription basis following expiry of the SSP contract, if the Council so elected). The process would provide the Council with a robust and scalable IT infrastructure and its realisation would be at Capita's risk.
36. New Software or Applications (or major upgrades) - The Council will have the right to procure the software as a service ("SaaS") otherwise than from Capita, subject to an evaluation exercise to determine whether in the Council's view that offers best value in comparison with the software being supported by Capita on infrastructure provided as a service ("IaaS") or (as at present) on hardware dedicated to the SSP. This enables the Council to make savings from moving to Cloud services for upgrades of the major applications for which it retains licensing responsibility and for new applications.
37. End User Computing Devices (EUDs) - The volumes would be rebased and compared quarterly with an assumed glidepath for reduction of their numbers. There would be adjustment of the IT service fixed charge depending on whether the volumes were below or above the glidepath at a quarterly review. This enables the Council to make further savings from careful management of volumes within the desktop estate.
38. Refresh Budget - The budget for refresh of EUDs would be returned to the Council. The Council would be able to maintain technological currency through a service catalogue offering the latest technological options, to align with the Council's future mobile workforce strategy and enable lowering of IT device costs. This is a process that the Council will need to carefully manage and plan in order to maintain the cost of the desktop estate and associated hardware within affordable bounds and ensure it is fit for purpose.
39. Refresh Cycles - These would be extended for EUDs, servers and network equipment as follows:
- With retrospective effect from 1 April 2013, EUDs would be refreshed every 5 years (currently 4 years).
 - With retrospective effect from 1 April 2013, servers would be refreshed every 6 years (currently every 5 years).
 - With effect from 1 December 2013, network equipment would be refreshed every 6 years (currently every 5 years).
40. Software Upgrades - The service would be provided on an agreed set of supported applications with an agreed division of responsibility for meeting the cost of their upgrade. Capita would also complete a programme to upgrade the infrastructure software as follows:
- Server operating systems to Server 2012 from Server 2003.

- Email to Microsoft Exchange 2013 from Microsoft Exchange 2003.
 - Homeworking solution to XenApp 6.5 V2 from Citrix 4.5.
 - EUD operating system to Windows 7 from Windows XP.
 - Microsoft Office to 2013 from 2003 for all EUDs.
41. The KPI performance mechanism would remain substantially the same although measurement of performance against monthly IT Performance Indicators and KPIs would be the average monthly performance over a rolling period of three months rather than month by month.

Local Taxation and Benefits Services

42. New Technology – New technology would be implemented by Capita to enable benefit and council tax reduction (CTR) claims, together with notification of change of circumstances, to be made online. Assumptions have been made about the percentage of all claims and notifications made using online forms and adjustment to the Relaunch Proposal pricing will be made if they are not realised
43. E-Forms - Online forms for claims and notifications have been implemented in a number of other Capita sites, most notably in Sheffield, where 98.8% of new claims are now made online. There are significant benefits to the claimant, as the form cannot be submitted until all the correct information has been included, which prevents claims being delayed. Currently, if all the relevant information is not provided on a paper form, there can be delays, as assessors have to write to claimants for the information. Additionally, as the information would be collected electronically, it would be more efficiently processed by the Capita's administration team, saving time and errors.

Procurement Services

44. A proposal to address how the Council manages spend below £100,000 has been developed which would see Capita providing a fully managed "Order and Quotation" service. However, at this point this has not been progressed within the negotiations sufficiently to provide further detail.

FUTURE SAVINGS

45. Capita recognises there will be regular reviews in the future to find further savings from the SSP contract.

ADDITIONAL PROPOSALS

46. The Relaunch Proposal contained a number of suggested changes which were not progressed and these are set out in Appendix 1.

CONSULTATION

47. The Council has received legal advice from Sharpe Pritchard solicitors on the form of consultation which should be undertaken in connection with this decision. They advised how the consultation should be conducted in such a way as to satisfy the requirements of both best value and equalities legislation, which has meant focusing on the proposed contract extension and on the proposed changes in customer services and in local taxation and benefits services. The best value and equalities consultations are set out in Appendices 4 and 5 to this report respectively and they have been posted on

the Council's website since 10 July 2013. In connection with the equalities consultation, a draft equality and safety impact assessment ("EISA") has been prepared, the latest version of which is in Appendix 5 to this report.

48. The responses to both the best value and equalities consultations are analysed in Appendix 7 of this report and an updated version of the EISA will be prepared taking into account these responses.

RESOURCE IMPLICATIONS

Capital/Revenue

49. The key financial and commercial considerations of the SSP Relaunch are set out in detail in the confidential Appendix 1 to this report.
50. The budget for refresh of EUDs would be returned to the Council under the SSP Relaunch proposals and responsibility would pass to the Council to maintain technological currency as set out in paragraph 38. In addition, investment required for infrastructure software and some telephony hardware will be the responsibility of the Council to fund. This is a process that the Council will need to carefully manage and plan in order to maintain the cost of the desktop estate, associated infrastructure software and some telephony hardware within affordable bounds and ensure it is fit for purpose. This will require additions to be made to the General Fund Capital Programme on an ongoing basis. The scale and timing of capital expenditure in the medium term has not yet been fully scoped, but the funding for this which has been factored into the financial assessment of the Relaunch, will need to be set aside to enable effective planning to be undertaken over the medium term and it is proposed that an IT Development Reserve is created for this purpose. More detail is set out in Appendix 1.
51. As part of the SSP Relaunch the mechanism for the payment of employers pension contributions to the Hampshire Pension Fund for TUPE staff will change. Under the current contract these payments are made by Capita and included in the charges to the Council. However, a specific amount was included within the current contract charges to cover these costs which will then be reconciled to the actual payments at the end of the contract. Ultimate responsibility for these costs and hence any risk remained with the Council. Under the SSP Relaunch these payments will be removed from the charges and instead dealt with as a "pass through" cost so the need for any reconciliation will end. The Council will need to budget for these costs directly and due to a level of uncertainty around the timing and scale of these costs will need to make use of a reserve to manage expenditure over the term of the contract and smooth the impact on the General Fund revenue budget in any one year. It is therefore proposed that a Pension Reserve is created for this purpose. More detail is set out in Appendix 1.
52. Should the decision be made on 20 November to proceed with the extension of the SSP contract with Capita Business Services Limited by five years with a new expiry date of 30 September 2022 (extended from 30 September 2017), subject to the changes to the contract described in this report being made simultaneously, further work will be required to reconfigure budgets. This work will need to ensure that budgets reflect the new contractual arrangements and that provision is made for any transfer of financial

responsibility from Capita to the Council.

Property/Other

53. The proposed contract extension would secure continued occupation by Capita of accommodation in OGS until 30 September 2022.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

54. The legal powers to pursue the course of action recommended in this report are contained in the Local Government Acts 1972, 1999 and 2000. Both Full Council and the Executive will need to make their decisions in accordance with the Council's normal statutory duties, for example the duty to achieve best value in the manner in which it discharges its functions under the Local Government Act 1999, section 3 of which requires the Council as a best value authority to:-

"...make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". [Local Government Act 1999 – Section 3].

Other Legal Implications:

55. All decisions of the Council will be made in accordance with the following principles:
- proportionality (i.e. the action must be proportionate to the desired outcome);
 - due consultation and the taking of professional advice from officers;
 - respect for human rights;
 - a presumption in favour of openness, accountability and transparency;
 - setting out what options have been considered;
 - setting out reasons for the decision; and
 - clarity of aims and desired outcomes.
56. In exercising discretion, the decision maker (in this case, the Executive) must:
- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
 - take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
 - leave out of account irrelevant considerations;
 - act for a proper purpose, exercising its powers for the public good;
 - not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
 - comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now,

- pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

57. To be lawful, a decision:-

- if taken in full Council, Committee or sub-committee must comply with the principle of being reached by a majority of Councillors present and voting at a properly constituted meeting;
- be one which the decision-maker is empowered or obliged to take, otherwise it is ultra vires;
- not offend against Wednesbury reasonableness;
- if intended to secure action (as opposed, for example, to a resolution merely expressing the Council's collective view on an issue), be capable of execution or will be of no effect; and
- not purport to undo what has already been done irrevocably (but it can rescind an earlier decision where this is feasible).

POLICY FRAMEWORK IMPLICATIONS

58. It has always been advised that a Policy Framework decision of Full Council would be required prior to extending the SSP contract. That remains the position. All previous decisions relating to the SSP have been Policy Framework decisions and amendments to the Policy Framework. This report recommends that Full Council approves the extension of the contract with Capita Business Services Ltd to 30 September 2022, detailed terms and conditions to be delegated to the Director of Corporate Resources, the Chief Financial Officer and the Head of Legal, HR and Democratic Services. The Executive would then implement that decision.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	Financial Summary Report (Confidential)
2.	Governance Arrangements
3.	Best Value Consultation
4.	Equalities Consultation
5.	Draft Equality and Safety Impact Assessment
6.	Report on Consultations
7.	Delivery to Date under the SSP
8.	Corporate Social Responsibility

Documents In Members' Rooms

1.	N/A
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2.	N/A
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	N/A	
2.	N/A	