

DECISION-MAKER:	COUNCIL CABINET		
SUBJECT:	*STRATEGIC SERVICES PARTNERSHIP (SSP) CONTRACT – PROPOSED CONTRACT EXTENSION		
DATE OF DECISION:	20 NOVEMBER 2013		
REPORT OF:	LEADER OF THE COUNCIL		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Andy Lowe	Tel: 023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	Mark.Heath@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

Appendix 1 of this report is not for publication by virtue of categories 3 (financial and business affairs) and 7A (obligation of Confidentiality) of paragraph 10.4 of the Council's Access to Information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.

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.

BRIEF SUMMARY

The contract for the Strategic Services Programme (SSP) with Capita Business Services Limited (Capita) commenced on 1 October 2007 for a term of ten 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 seeks authority to extend the contract by five years and to implement simultaneously changes to the contract which are set out in this report. 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, 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 this report is to enable Council to make a Policy Framework decision. Full Council is being 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 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 Chief Financial Officer and 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:

COUNCIL:

- (i) Notes the Consultation process that was followed as outlined in paragraph 59 and Appendix 4.
- (ii) Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraph 60 and Appendix 3.
- (iii) 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, (except for that relating to sub-£100,000 spend being brought within the Procurement Services).
- (iv) Recommends that the Executive implements the Policy Framework decision to extend the SSP contract by five years.
- (v) 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.
- (vi) 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.
- (vii) Notes and endorses the governance arrangements set out in Appendix 2 (in so far as they are matters for Full Council).

- (viii) Notes that the changes made during final negotiations as set out in Appendix 1, have taken into account the recommendations of Overview and Scrutiny Management Committee which met on 16 October 2013.
- (ix) Authorises the Director of Corporate Services, together with 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 in relation to this matter.
- (x) Notes that these decisions will form an addendum to the Council's Policy Framework.

CABINET:

- (i) 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.
- (ii) Implements as a consequence of the Full Council's Policy Framework decision, the extension of the SSP contract by five years, as recommended by Full Council.
- (iii) Approves the proposal to bring sub-£100,000 spend within the Procurement Services delivered under the SSP Contract.
- (iv) Delegates authority to the Director of Corporate Services, together with the Chief Financial Officer and the Head of Legal, HR and Democratic Services to agree the detailed terms and conditions in connection with the above recommendations.
- (v) Authorises the Head of Legal HR and Democratic Services to enter into the necessary legal documentation.
- (vi) Notes and endorses the governance arrangements set out in Appendix 2 (in so far as they are matters for the Executive).
- (vii) Notes that the changes made during final negotiations as set out in Appendix 1, have taken into account the recommendations of Overview and Scrutiny Management Committee which met on 16 October 2013.
- (viii) Authorises the Director of Corporate Services, together with 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 the Executive in relation to this matter.

REASONS FOR REPORT RECOMMENDATIONS

1. There are a number of reasons for the recommendations and these are set out below. Namely 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 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. 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 appropriate to the less predictable environment we now find ourselves in.
3. There are a number of alternative options which could have been pursued to address these issues and these are set out in turn in the following paragraphs.
4. Firstly, 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 Council's current financial challenges, improve flexibility or modernise service delivery.
5. Secondly, 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.
6. Finally, 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. Consequently, this option has not been pursued.

DETAIL (Including consultation carried out)

INTRODUCTION

7. In view of the need to review the SSP as set out in paragraph 1 above and the dismissal of the alternative options, 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.

8. 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.
9. 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.
10. 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

11. The detailed drafting to reflect final agreed negotiations for the SSP Relaunch is still continuing at the point of writing this report. It is substantially complete and has been subject to legal review on behalf of the Council by Sharpe Prichard, the solicitors who originally advised the Council on the initial award of the SSP contract. However, the documents are still subject to an internal commercial review by Capita and it is not known whether this will raise further substantial issues. The recommendations in this report are written on the basis that it will not.
12. Subject to the caveat in the previous paragraph, the result of the negotiations on the remaining savings, relating to services currently in scope of the SSP contract, and other commercial issues 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.
 - Developing One Guildhall Square (OGS) as a regional business centre, creating employment opportunities for local people.
 - Revised governance as summarised in paragraph 55 to 56 and set out in more detail in Appendix 2 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.
 - 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.
 - Revised Profit Sharing / Gain Sharing arrangements as set out in Appendix 1.
13. 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.
14. The following paragraphs provide additional information on some of the benefits which will be delivered

Flexible Charging

15. 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.
16. The application of a flexible mechanism for Procurement Services was considered and it was decided to maintain but strengthen the current process rather than introduce a volumes driven method which is not easily applicable. At present each year a work plan is agreed with Capita by the Head of Property, Procurement and Contract Management to match the resources within the contract price. This work programme can be expanded and any additional costs flow through to the Council but the resources cannot be reduced. As part of the negotiations this has been reviewed to ensure that the programme can be both expanded and contracted. Whilst the resulting financial impact is not be driven by an automatic mechanism, the aim is that the Council has a degree of control to manage the cost of this service as we move forward.
17. Property Services (to a 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 and the Occupational Health Service do not lend themselves to flexible charging.
18. The adoption of more flexible charging mechanisms will increase the Council's ability to plan for the consequences of changes in the way it operates in the future. Further information about the potential financial impact of these mechanisms is set out in Appendix 1.

Termination Compensation

19. 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).
20. 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.
21. 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 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

22. 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.
23. 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.
24. 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)

25. 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 fulfil within the SSP Relaunch price are set out in Appendix 6 to this report.
26. 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

27. 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

28. 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).
29. 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 review of Pay and Allowances.

30. 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 review of Pay and Allowances.
31. Learning & 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

32. 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.
33. 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.
34. 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.
35. 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.
36. Face to Face Appointments - Except for vulnerable persons, face to face appointments with a CSA would only be 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. Capita staff would be trained to recognise contacts involving vulnerable persons, who would attract a same day face to face appointment. Any customer (or other person involved in their enquiry) would be included in the category of vulnerable persons 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

37. **Flexible Staffing** - Capita would have the flexibility to deploy staff on the provision of IT Services from both inside 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.
38. **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.
39. **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 Key Performance Indicators (KPIs) relating to the relevant application after migration and of subsequent exit arrangements, (including the cost of continued support on a scaleable subscription basis following expiry of the SSP contract, if the Council so elected). The process would provide the Council with a robust and scaleable IT infrastructure and its realisation would be at Capita's risk.
40. **New Software or Applications (or major upgrades)** - The Council will be able to procure software from the Cloud from other providers, 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 their infrastructure. 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.

41. 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 are below or above the glidepath at the quarterly review. This will enable the Council to make further savings from careful management of volumes within the desktop estate.
42. 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. To support the management of this across financial years it proposed that an IT Development Reserve is approved and maintained as explained in more detail in paragraph 65.
43. 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).
44. Software Upgrades - Under the current contract both parties have been in dispute about the responsibility for funding the upgrading of software. As part of the Relaunch, software upgrades would be provided on an agreed set of supported applications. Capita would also complete a programme to upgrade the infrastructure software, including Email to Microsoft Exchange 2013 from Microsoft Exchange 2003 and Microsoft Office to 2013 from 2003 for all EUDs during 2014, with a target completion date of 31 May 2014.
45. 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

46. New Technology – New technology would be implemented by Capita to enable housing 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.
47. 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

48. A proposal has been developed to give the Council central visibility and control over the procurement of the element of spend, which is currently devolved to Directorates (sub £100,000 spend). The total estimated value of this spend is in the region of £35M per annum, (with almost £22M falling within the General Fund). The proposal is to manage this spend centrally through Capita Procurement Services through a Southampton based team of purchasing specialists. This service would provide an operational and commercial solution allowing the Council to procure its sub £100,000 spend in the most cost effective and operationally efficient manner.
49. The new service will provide the Council with a fully managed Order and Quotation Management Service at no service or financial risk to the Council. Capita is willing to implement the service with a guarantee of cost neutrality after five years - a Savings Guarantee, "Promise" - whereby Capita will refund its fee for this service if it does not save the City Council in excess of this amount at the end of the five year term.
50. The provision of this service should deliver improvements and benefits in terms of savings, greater efficiencies and improved controls. A key benefit will be the ability to better influence sub £100,000 spend in terms of sustainable procurement and local sourcing. The finalisation of the proposal has come too late for it to be implemented as part of the SSP Relaunch, because there is a considerable amount of work involved in drafting and agreeing the necessary amendment of the SSP Contract. Therefore, a separate delegated authority is sought in relation to this matter.
51. This service will deliver sustainable procurement benefits across the Council and the estimated net savings which will accrue to the General Fund from 2015/16 have been included in the Executive's draft budget proposals which will be approved by Cabinet on 19 November 2013.

OTHER CHANGES

Performance Management

52. Ideally a full and comprehensive review of performance measures would have been undertaken as part of the Relaunch, but resources and time did not allow this to be completed before the Relaunch date. A high level review of the performance measures has however been undertaken. It is planned to hold a review of KPIs and other performance measures annually and the first such in depth review will take place in January 2014.
53. In the meantime, the Relaunch would see the removal of a performance measure originally intended to measure customer satisfaction across the partnership as a whole, which has proved costly and resource intensive to operate with little benefit. In future we will focus on customer satisfaction

measures within individual service areas.

54. A new category of measures will be created in January 2014, namely Key Strategic Indicators (KSIs). It is intended that KSIs will monitor the overall health and state of the Partnership relationship and support the overall objectives of the Council. For example KSIs will be created around the apprenticeships, volunteering and jobs commitments contained within the Relaunch proposals.

Governance Arrangements

55. The partnership will be re-launched and more streamlined governance arrangements will be put in place with focused responsibilities at different levels as set out in Appendix 2. These arrangements will centre around a Strategic Partnership board (SPB) which will meet twice each year and shall be made up of key members of the Executive, a representative from the opposition, senior officers and provider representatives. Key functions of the SPB will be to oversee the strategic operations of the SSP, set strategic direction, consider new partnership initiatives, receive and approve the Annual Report and consider and resolve issues escalated to the SPB.
56. A number of operational level boards will operate under, and report by exception to the SPB. Principally these will be:
- Partnership Management Board, will meet monthly and will oversee the operational aspects of the SSP.
 - Service Area Reviews (SARs) will meet monthly and will review the business plan and in depth operational running of individual service areas.
 - Cross Partnership Review Board (CPRB) will meet monthly and will focus on commercial issues, risks and communications across the SSP.

FUTURE SAVINGS

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

ADDITIONAL PROPOSALS

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

CONSULTATION

59. 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 Appendix 4 to this report and they have been posted on the Council's website since 10 July 2013. The responses to the consultation exercises, together with an analysis and summary are also set out in detail in Appendix 4.

60. An Equality and Safety Impact Assessment (ESIA) has also been prepared which is Appendix 3 to this report. The original ESIA was drafted prior to the consultation so that the consultation process could be guided by it. It has subsequently been developed and updated to take into account comments received and the consultation responses.

Overview & Scrutiny Management Committee (OSMC)

61. OSMC approved at their meeting on 16 October 2013 the following recommendations:
- That the Executive encourage Capita to consider how they can develop their Corporate Social Responsibility offer in Southampton.
 - That the Executive explore opportunities for additional services to be added to the Capita contract as soon as possible, where advantageous for the Council to do so.
 - That the Leader be requested, during further negotiations, to encourage Capita to sign up to the Council's Living Wage pledge.
 - That membership of the SPB includes a member of the opposition.
 - That a list of the current Capita contract KPI's be circulated to OSMC.
 - That in recognition of the reputational risk to the Council and the channel shift proposals, the developing KSIs and KPIs place an emphasis on customer service.
62. OSMC's recommendations have been taken into account in subsequent negotiations and updates are as follows:
- Corporate Social Responsibility – Further dialogue with Capita to develop the social responsibility aspects of the SSP has secured the following:
 - Allow its employees working on the SSP 519 volunteering days per Contract Year to work in the Southampton community via the Provider's employee volunteering programme.
 - Run one event per quarter in support of the STEM (Science, Technology, Engineering and Maths) programme and employability skills initiatives in schools
 - Capita has implemented a new policy to support reservists for the armed forces, where any individual undertaking this role would be entitled to ten days paid leave per year for training.
 - Capita will run a second IT innovation fair for local businesses during Contract Year 9 (2016).
 - Additional Services - As explained by the Leader of the Council at OSMC, the Executive will explore further opportunities to add additional services to the Capita contract, where it is advantageous to do so, after signing of the Relaunch.
 - Living Wage - Further dialogue has resulted in the Council and Capita reaching an agreement which will see all staff working within OGS being paid the Living Wage.
 - Strategic Partnership Board - The governance provisions at Appendix 2 have been amended to include the Leader of the largest opposition group

(or their nominated representative) on the board.

- Key Performance Indicators - These were circulated to OSMC members on 28 October 2013.
- Customer Service - A full review of the KPIs and PIs is scheduled for January 2014 and customer service will be included in the review. Some members at OSMC expressed concern at the quality of some of the responses received by members of the public to their telephone enquiries to the Customer Service Centre. This is one of the most difficult aspects of the service to bring within a performance measurement regime, but there is already a KPI which enables us to focus on the quality of responses to telephone calls by checking the quality of a cross sample of recorded responses. It is intended that this should continue.

63. Since the presentation of the shape of the Relaunch proposals to OSMC on 16 October 2013, a number of outstanding issues have been finalised and for clarity these are set out in detail in Appendix 1. Issues which have been finalised include the application of the Living Wage, flexibility mechanisms and new arrangements for profit sharing and gain sharing. Detailed drafting on some of these points which have only just been concluded is underway as set out in paragraph 11. It is substantially complete and has been subject to legal review on behalf of the Council by Sharpe Prichard, the solicitors who originally advised the Council on the initial award of the SSP contract. However, the documents are still subject to an internal commercial review by Capita and it is not known whether this will raise further substantial issues. The recommendations in this report are written on the basis that it will not.

RESOURCE IMPLICATIONS

Capital/Revenue

64. The key financial and commercial considerations of the SSP Relaunch are set out in detail in the confidential Appendix 1 to this report.
65. 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 42. 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 therefore proposed that an IT Development Reserve is created for this purpose. More detail is set out in Appendix 1.
66. 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 would 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.

67. Should the decision be made on 20 November 2013 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

68. 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:

69. The legal powers to pursue the course of action recommended in this report are contained in the Local Government Acts 1972, 1999 and 2000 and the Localism Act 2011. 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:

70. 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.
71. In exercising discretion, the decision maker, (in this case, the Council and 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.
72. 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

73. A Policy Framework decision of Full Council is required prior to the Executive deciding whether or not to enter into a contract to extend the SSP contract. This is consistent with the decisions made prior to entering into the SSP Contract in 2007 and reflects the legal regime applicable to a decision of this nature given its impact on the Council's budget and service delivery arrangements. This report recommends that Full Council approves as a Policy Framework decision 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, together with the Chief Financial Officer and the Head of Legal, HR and Democratic Services. The Executive would then implement that decision.

KEY DECISION? Yes (Executive decision)

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Appendices

1.	Financial Summary Report (Confidential)
2.	Governance Arrangements
3.	Equality and Safety Impact Assessment
4.	Report on Consultation Exercises
5.	Delivery to Date under the SSP
6.	Corporate Social Responsibility

Documents In Members' Rooms

1.	N/A
2.	

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.	None	
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