

**SHEFFIELD CITY COUNCIL****Cabinet Report**

---

**Report of:** Executive Director of Resources

---

**Report to:** Cabinet

---

**Date:** 12 November 2014

---

**Subject:** Business Services Sourcing Strategy

---

**Author of Report:** James Henderson

---

**Key Decision:** YES

---

**Reason Key Decision:** Expenditure/savings over £500,000

---

**Summary:**

In November 2008, Cabinet approved an ambitious programme to enter into a partnership arrangement with Capita Business Services Ltd (Capita) to deliver a range of services, including Revenues and Benefits, Information and Communication Technology (ICT), transactional HR and finance services, and to provide support to the Council's wider service transformation agenda.

The initial term of the agreement with Capita is due to come to an end in January 2016, and the Council is required to make a decision about the future delivery of those services. Under the terms of the original agreement, there is an opportunity to extend or re-specify the current contract for a further six years, should the Council so choose.

This report recommends extending the current contract with Capita for a further six years, with break points every two years, for the continued provision of ICT, HR and finance transactions, and Revenues and Benefits processing. It also

recommends the transfer to the Council of the customer facing elements of Revenues and Benefits, and the establishment of a Capita team to work alongside the Council on selected areas of business change and transformation activity. The report sets out a minimum level of savings associated with the contract extension that will help to contribute to the Council's overall budget target from 2015/16 onwards.

---

### **Reasons for Recommendations:**

Each element of the proposed package has been considered on its merits. The proposals are being recommended as providing an appropriate balance between:

- Providing quality services, which meet the expectations of customers (both internal customers and the public)
  - Making a considerable, and ongoing, contribution to the Council's savings target, over and above what was envisaged as part of the 2008 contract.
  - Maintaining risk (financial, legal, reputational and delivery) within acceptable limits
  - Being affordable and representing best value to the organisation within the short and long term
  - Supporting the organisation to transform its services and deliver differently
- 

### **Recommendations:**

Cabinet are recommended:

- a) To note the contents of this report
  
- b) To approve the continuation of Capita provision of the following managed services for a six year period from January 2016, with break points in January 2018 and January 2020:
  - Information and Communication Technology (with flexibility within the contract to market test elements of provision with other suppliers)
  - Revenues and Benefits transactional services
  - Human Resources transactional and payroll services
  - Finance business transactions
  
- c) To approve the development of a strategy/ies, in line with the Council's Corporate Plan, to set out the Council's future requirements for these managed services, and other currently

outsourced contracts, in order to inform subsequent sourcing decisions, in time for the first break point in the contract in 2018.

d) To approve the move in-house (i.e. from Capita to Sheffield City Council) the delivery of the Revenues and Benefits front office (contact centre and face to face) from January 2016, and to integrate with the Council's Customer Services function.

e) To accept Capita's guarantee of revenue savings from January 2015 onwards, in line with the schedule set out at paragraph 8.1, the guarantee on Council Tax collection rates set out at 8.3, and to note the potential additional savings arising from business change activity, also set out at paragraph 8.3.

f) To delegate authority to the Interim Executive Director for Resources, in consultation with the Interim Director of Commercial Services and the Interim Director of Legal and Governance, and the Cabinet Member for Finance and Resources to enter into final negotiations with Capita on this basis, and to finalise the relevant changes to the current contract

g) To delegate authority to the Interim Executive Director of Resources, in consultation with the Director of Human Resources, Director of Customer Services, the Interim Director of Finance, and the Cabinet Member for Finance and Resources to make arrangements to secure a robust transition of the services set out at d), including ensuring compliance with relevant legislation to minimise the risk of disruption to the organisation or public

h) To delegate authority to the Interim Executive Director of Resources to establish the revised governance arrangements set out in section 7 and to make arrangements to monitor the performance and delivery of the contract over its lifetime.

---

## **Background Papers:**

---

**Category of Report:**        **OPEN with CLOSED appendix**

**Appendix A not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).**

## Statutory and Council Policy Checklist

---

<b>Financial Implications</b>
YES Cleared by: Eugene Walker
<b>Legal Implications</b>
YES Cleared by: David Hollis
<b>Equality of Opportunity Implications</b>
YES Cleared by: James Henderson
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human Rights Implications</b>
NO
<b>Environmental and Sustainability implications</b>
NO
<b>Economic Impact</b>
NO
<b>Community Safety Implications</b>
NO
<b>Human Resources Implications</b>
YES
<b>Property Implications</b>
YES
<b>Area(s) Affected</b>
All
<b>Relevant Cabinet Portfolio Lead</b>
Cllr Ben Curran, Cabinet Member for Finance and Resources
<b>Relevant Scrutiny Committee</b>
Overview and Scrutiny Management Committee
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press Release</b>
YES

## **1. Purpose**

- 1.1 In November 2008, Cabinet approved an ambitious programme to enter into a partnership arrangement with Capita Business Services Ltd (Capita) to deliver a range of services, including Revenues and Benefits, Information and Communication Technology (ICT), transactional HR and finance services, and to provide support to the Council's wider service transformation agenda.
- 1.2 The initial term of the agreement with Capita is due to come to an end in January 2016, and the Council is required to make a decision about the future delivery of those services. Under the terms of the original agreement, there is an opportunity to extend or re-specify the current contract for a further six years, should the Council so choose. This also represents an opportune moment to consider the future delivery of a range of other services currently provided directly by the City Council, particularly given the difficult financial picture facing the authority at the moment.
- 1.3 This report sets out a number of recommendations to Cabinet on the provision of these services.

## **2. What does this mean for Sheffield people?**

- 2.1 In order to provide high quality, value for money public services, it is important that the Council has robust, efficient and effective support functions. This report makes recommendations about the delivery of a range of these support functions (including ICT and HR), and seeks to achieve significant ongoing savings in these areas, which will help to reduce the impact of budget cuts on front line services.
- 2.2 The report also sets out recommendations to improve the delivery of the customer facing elements of the Revenue and Benefits function, which should result in a better experience for people using the service (including Council Tax payers, and people applying for and receiving Council Tax Support and Housing Benefit).
- 2.3 Furthermore, the report sets out arrangements to support the Council on selected areas of business change and transformation activity. This will help the Council to provide the people of Sheffield with better, more efficient and more responsive public services in the future.

### 3. Introduction and Background

3.1 As part of the 'Outstanding Sheffield' programme, and following a competitive dialogue process in 2007 and 2008, Capita were appointed by the Council to become the organisation's strategic partner from January 2009. The contract with Capita was for the delivery of a range of services, including Revenues and Benefits, Information and Communication Technology (ICT), transactional HR and Finance services, and to provide support to the Council's wider service transformation agenda.

3.2 The original objectives of the partnership were to:

"deliver significant improvements to the quality of services the Council provides to its citizens and which would also drive continuous improvement in services as well as generating savings over the term of the contract." and to:

- "act as a strategic partner to the Council, identify Business Transformation opportunities, and improve how other Council services are delivered
- Deliver Revenues and Benefits, ICT, HR and Payroll and Financial Business Transactions services for the Council to the specified service levels
- Achieve an appropriate balance between cost and improved service performance for the services." (Report to Cabinet 12 November 2008)

3.3 At the time, the partnership with Capita represented a step change for the authority in the delivery of these vital support services. For example, IT performance and stability was substantially improved following transfer of the service to Capita, whilst the Revenues and Benefits service has both made savings, and improved and stabilised performance, although customer service for this service has not always been of sufficiently high quality. The Human Resources service presented a challenge in the early days of the contract, but now performs at a satisfactory level.

3.4 In the main, therefore, Capita has maintained day to day service delivery at a good level across all managed services, whilst at the same time reducing the total cost of the contract over its lifetime: Capita have made significant savings over the lifetime of the current contract (the cost of the contract is £10m less – equivalent to 30% - in 2014 than in 2009). The aspects of the contract that have not been maximised are the transformation and business change elements, where the anticipated partnership did not develop and mature in the way that the authority would have wanted at the time. Because of the importance of

service change transformation in the current financial climate, it is now appropriate to reconsider how the authority can best be supported to deliver this sort of activity. In short, the Council needs a further step change of the type seen at the beginning of the Capita contract to enable it to rapidly transform and reduce the costs of delivery of core services.

- 3.5 As noted above, the contract with Capita was structured in such a way as to provide a break point after 7 years (i.e. at January 2016). By mutual agreement, the contract could be renegotiated and extended past this point for a further six years.
- 3.6 Given this break point and the overall performance of the contract set out at paragraphs 3.2 and 3.3, it is appropriate to reconsider the original aims of the contract, the performance of the supplier, and verify whether or not the Council should continue to contract with Capita for the delivery of all or some of the original services. This should also include consideration of whether or not it would be appropriate to include additional services within the contract, and whether the changed financial context, and experience of the past six years of working in partnership suggested that any changes should be made to the governance and commercial arrangements. In particular, the Council has given consideration as to how to reduce the costs of the services currently provided by Capita in order to provide savings to the revenue budget.
- 3.7 By taking a decision in advance of the contract break point in January 2016, the possibility is opened up of securing an extra year's savings, over and above what was agreed as part of the original 2008 contract.
- 3.8 Furthermore, the Council would also need to weigh up the benefits of continuing with Capita against other options when coming to a decision about any or all of the services within the contract, and consider how to secure ongoing service delivery for any services that would not be included in the ongoing contractual arrangement.

#### **4. Current Context**

- 4.1 The context facing the Council has changed substantially since the original contract with Capita was signed in 2008. **The expectations of our customers have increased** with demand for quicker and more responsive service delivery; the **role of the local authority is changing** with new responsibilities (including integration of the Public Health and Council Housing functions); **new relationships have**

**developed** both locally (e.g. our changing relationship with schools or the development of the Combined Authority) and nationally (with the signing of City Deals and further devolution and reform activity); and, within a wider programme of public sector austerity, the Council is facing a **significantly challenging financial context**, which means that the authority has had to find savings of almost a quarter of a billion pounds since the original contract was signed, with further savings required in future years.

- 4.2 All of this means that it is highly unlikely that a partnership arrangement that was fit for purpose in 2008 will continue to be wholly fit for purpose in 2022. Indeed it is likely that the Council will now require a number of features from any form of strategic partnership that would not have been considered in the same way in the past. Not least amongst these will be the need for significant, ongoing savings at a run-rate greater than could be achieved by the Council itself; increased certainty of savings; and reduced risk of service failure or unexpected additional costs. We are also aware that change is likely to be more rapid in the future than it has been even up to now. Therefore we need partners who can help us respond to and exploit this change rapidly and with agility.

## 5. Process

- 5.1 The Council began a dialogue with Capita in October 2013 to begin to understand what an extension to the current contract could look like. At that point, the Council asked Capita to put forward their view about how they could support the organisation over the next six years, reflecting on everything they had learned about the organisation since the beginning of the partnership.
- 5.2 Capita presented a number of areas where they believed that there was an offer that they could make to the organisation. The Council established work-streams for each of these areas to understand the proposition in more detail; to continue more in depth dialogue with Capita; and, ultimately, to come to a view about whether, and if so, how these should be pursued.
- 5.3 Following this process, which took place over the spring and summer of 2014, the offer from Capita has been clarified and refined, based on a clear understanding of the Council's objectives, which are:
- To provide quality services, which meet the expectations of customers (both internal customers and the public)



- To make a considerable, and ongoing, contribution to the Council's savings target, over and above what was envisaged as part of the 2008 contract.
- To maintain risk (financial, legal, reputational and delivery) within acceptable limits
- To be affordable and represent best value to the organisation within the short and long term
- To support the organisation to transform and deliver differently

5.4 In parallel with this dialogue process, officers developed a set of alternative options, either for continued in-house delivery, in-sourcing, or re-provision with another provider in order to evaluate Capita's proposals effectively. This process resulted in a number of potential proposals put forward by Capita not being progressed because they did not fit with the organisations requirements at this time or because it was determined that in house delivery represented a better option.

## **6. Current Position**

6.1 Based on the objectives set out above, the proposals from and subsequent negotiations with Capita, and performance over the lifetime of the contract to date, the current position and recommendation on each of the main work-streams is set out below:

### **6.1 ICT**

6.1.1 Information and Communication Technology is a critical service for the authority. It is the bedrock of the vast majority of the Council's activity, and without a secure and stable ICT platform and delivery, the organisation would not be able to provide the services that the people of Sheffield rely on. It is therefore of fundamental importance that decisions on ICT are taken in such a way as to minimise the risk to service delivery.

6.1.2 Sheffield City Council's ICT provision has been outsourced since the late 1990s, latterly as part of the overall Capita contract. As noted above, Capita provided a step change in the performance and stability of the Council's ICT systems when they took over the delivery of the contract.

6.1.3 Since the 2008 contract was let, practice within the outsourced ICT market has changed in response to the increasing complexity of

and reliance upon technology for most large organisations. In general terms, multi-sourced arrangements are now preferred, with specialist providers supplying different elements of ICT capability. This is a route that the Council will wish to explore further over the next few years, but it is considered that moving to a multi-source ICT environment at the current time would risk service instability and could undermine front line service delivery.

- 6.1.4 As noted in paragraph 6.1.1, the Council's ICT function has been out-sourced since the 1990s. As a result there is no in-house capacity, capability or expertise for the practical delivery of a modern ICT function. This means that in-sourcing the ICT function is not recommended. In-sourcing would require significant capital investment in facilities and equipment as well as ongoing revenue spend on equipment and staffing.
- 6.1.5 Capita have proposed that they continue to deliver the Council's ICT capability as part of the contract extension. The costs of this contract extension compare favourably to the likely cost of going back to the market at this time (either for a single package or a multi-source option). Additionally, the costs proposed by Capita are known and fixed, and furthermore are lower than the current contract cost. Pursuing another option at this time is likely to be more expensive, and with costs rising over time. Notwithstanding this, the proposal includes scope for moving to more flexible models of ICT provision during the proposed contract extension. More detail about the financial and commercial implications of this is given in closed Appendix A.
- 6.1.6 It is therefore recommended that the contract extension on ICT with Capita is agreed in line with the proposal made by Capita, with regular break points, and scope for moving to more flexible models of ICT provision within the contract. This is likely to provide both the lowest cost and risk option in the short term. However, the Council will further develop its forward medium term strategy for ICT.

## **6.2 Revenues and Benefits**

- 6.2.1 Capita currently provide all aspects of the Council's Revenues and Benefits service, including telephony and in-person customer

contact, Council Tax billing collection and recovery, Business Rates billing collection and recovery, and benefits transactions processing. Transactions processing generally performs well. However, the customer facing aspects of the service do not match the quality of customer service expected in the rest of the organisation. This has a reputational impact for the authority.

- 6.2.2 The context within which Revenues and Benefits operate is currently in a state of some uncertainty, with the proposed move to Universal Credit expected within the next two years for Sheffield. This is likely to have implications for the delivery of Housing Benefit in particular and may lead to increased costs for the authority.
- 6.2.3 Capita have offered to continue providing the Council Tax billing and collection, and benefits processing services, at a reduced cost compared to the current cost of delivery, resulting in significant savings to the authority (see Appendix A for further details). Under the new contract the Council will require Capita to guarantee that 97.5% of Council Tax is collected over three years (up to a maximum liability of £3m over the contract period) – this represents a stretching target, given the increase in Council Tax arrears precipitated by the move from Council Tax Benefit to the less generous Council Tax Support Scheme. Ongoing Capita provision of these services also reduces the risk to the authority on welfare reform related changes, with Capita sharing the risk on costs. For these reasons, it is recommended that this offer is accepted.
- 6.2.4 However, it is proposed that the customer facing elements of the current Capita contract are brought back in-house from January 2016. This includes both the customer contact centre for telephone enquiries, and staff based within First Point locations providing face to face service. If approved, the transition of the service back to the Council would be carefully planned to minimise disruption to the public, and would take place under a TUPE (Transfer of Undertakings, Protection of Employment) transfer. This transition will affect approximately 40FTE staff.
- 6.2.5 Other options were considered for this part of the package, principally in-sourcing the totality of the Revenues and Benefits function. However, this is not recommended as an option because it is likely to trigger risk and cost increase on other elements of the

package, as well as significant transitional risks of building up a backlog of cases, which would be exacerbated by welfare reforms. This would be likely to have a detrimental impact on customers and would also be more costly for the authority. The Council would also have to take on all of the risk associated with welfare reform and the introduction of Universal Credit in this scenario.

### **6.3 Human Resources and Financial Business Transactions**

- 6.3.1 Capita currently delivers transactional functions for Human Resources (HR) and Payroll. The contract covers learning and development transactions and course bookings; maintenance of the staffing establishment; provision of all employee data for the Council; management of the HR system; and dealing with all HR transactions such as recruitment, contract changes, new starter and leaver processes, sickness reporting. In addition, Capita provide low level policy advice on transactional matters such as annual leave entitlements, maternity leave etc.
- 6.3.2 In broad terms, these services are stable and perform at a reasonable level. Capita have proposed that they continue to provide these services for the Council, with some guaranteed savings as part of the overall package.
- 6.3.3 Other options were considered for these services, including insourcing. However, insourcing the HR services would be likely to trigger higher costs on other parts of the package, whilst resulting in smaller savings on HR.
- 6.3.4 On Finance Business Transactions, given the small size of the service, the main savings opportunity is linked to the potential introduction of a new finance system in 2016. Stability of financial transactions processing is the most important consideration until then – changing provider or insourcing would be likely to jeopardise this stability, and may result in longer timescales for the implementation of the new system, and associated savings with little offsetting benefit.
- 6.3.5 Therefore it is recommended that Capita continue to provide both HR Transaction and Finance Business Transaction services for the Council.

## **6.4 Business Change**

- 6.4.1 Capita are proposing to make available a team to work with the Council's existing business change function to accelerate the development of business cases for key service change and transformation projects. Under this arrangement, the Capita team would work through the City Council's change governance and change resourcing processes, ensuring that this additional capacity is properly integrated with the work and priorities of the council.
- 6.4.2 The Capita team would also not constitute an exclusive partner for the delivery of change activity – the Council would only use the team where it was agreed that they had the right skills for the project in hand. If this were not the case then the Council will continue to be free to use other providers or to undertake the activity in-house.
- 6.4.3 As part of this arrangement, Capita will guarantee savings on business cases prepared by them, up to a potential value of £150m over the life of the contract. Capita would not be paid on a traditional consultancy basis in this arrangement, but would be guaranteed a share of any savings generated (details set out in Appendix A). Were a Capita-prepared business case to deliver zero benefit then Capita would absorb the cost of preparation of that business case, with no detriment to the Council. This arrangement offers significantly better commercial terms than we would achieve through going out to market.

## **6.5 Other opportunities**

- 6.5.1 A range of other opportunities were presented to the Council as part of the preliminary negotiation process with Capita. These included consideration of alternative delivery models for some in-house services, and proposals for wider reviews of certain aspects of the Council's business. Having considered these in detail, none of these proposals had a good fit with the organisation's current requirements, or it was considered that continued in-house delivery remained a better option. It is therefore recommended that no additional services should be provided by Capita at this time.

## 7. Governance

- 7.1 Given the size, scope and complexity of the proposed extension to the Capita contract, it is of critical importance that robust governance arrangements are put in place. These are yet to be finalised but will ensure that:
- the contract is delivering in line with expectations
  - appropriate partnership culture and behaviours are developed
  - savings targets are achieved
  - performance is monitored and managed, and under-performance challenged
  - change activity leading to additional savings is commissioned appropriately
- 7.2 In particular, it is important that there is a single agreed 'pipeline' of business change and transformation opportunities, and that this pipeline is led and shaped by the Council.
- 7.3 It is recommended that there is appropriate Member oversight of both the delivery of the contract as a whole and the pipeline of business change projects.

## 8. Financial and Commercial Arrangements

- 8.1 In line with the objective set out above and learning from the current contractual arrangements, it is considered of critical importance that Capita be incentivised in future to find savings from a target cost. There will therefore be a cap and a collar arrangement where Capita and the Council share the risk and reward on a 50:50 basis within set bands of pricing. This will help to reduce the overall budget pressure on the Council. Capita have offered the Council a minimum guarantee of savings to be achieved as part of the contract. This will result in a minimum/maximum level of savings anticipated over the lifetime of the contract extension as follows:

<b>Year</b>	<b>Minimum Saving (£m)</b>	<b>Maximum Saving (£m)</b>
2015/16	£2.3m (£1.9m General Fund, £0.4m HRA)	£4.8m (£4.4m General Fund, £0.4m HRA)
2016/17	£3.0m GF	£5.5m GF
Future Years	£3.1m GF per year	£6.0m GF per year

These savings are predicated on the contract running for its full length to 2022. Any decision to change the contract at either of the two specified break points (in 2018 and 2020) would have an impact on the level of guarantees available from Capita and would incur break costs and therefore the savings that would be achieved would be reduced. More detail on this is given in Appendix A.

- 8.2 Proceeding with a different delivery model for the managed services within scope would be likely to cost the Council around £800k in 2015/16 owing to transition and associated disruption (mainly with ICT), and therefore in year 1, the proposal from Capita would result in a net benefit to the Council of at least £3.1m (£2.3m saving plus £0.8m avoided cost). In future years, an alternative delivery model might save slightly more than the minimum guaranteed saving from Capita of £2.7m, but would be unlikely to equal the maximum potential saving on offer.
- 8.3 In addition to the guaranteed savings on managed service, Capita are also offering guarantees on New Homes Bonus, Single Person Discount and Council Tax collection rates, worth around £5.7m over the life of the contract, as well as the opportunity for the identification of additional savings through the business change proposals set out above.
- 8.4 More detail on the commercial and financial implications of the proposal is presented in the closed appendix.

## **9. Legal Implications**

- 9.1 The Council has a general power under section 1 of the Localism Act 2011 to do things an individual may generally do (including vary a contract in accordance with its terms) provided it is not prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act.
- 9.2 When it was procured the contract with Capita was above the public procurement financial thresholds and consequently was procured under a regulated procurement procedure. If the Contract is changed to a material degree, it may be held that there is, in fact, a new contract, which should have been re-tendered in accordance with European and national procurement law and the resultant contract could be held ineffective.

- 9.3 We do not believe that the proposals set out in this Report will amount to a material change to the existing contract. The contract has always provided for an extension of up to 6 years and contains project and change processes that will be followed to achieve the other outcomes outlined in the Report. However, it will be necessary to ensure that the detailed changes ultimately made to the existing contract do not alter the commercial deal between the parties such that these amount to a material change. This will be taken into account during implementation of the recommendations.
- 9.4 Each local authority has a duty<sup>1</sup> 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". This duty is not discharged when services are outsourced. It therefore becomes the duty of the authority to ensure that the procured contract satisfies these requirements. The Council therefore needs to be satisfied that the steps that it is taking in relation to the Capita contract will ensure that the contract continues to provide the best overall value taking into account economic, environmental and social values and having regard to economy, efficiency and effectiveness.

## **10. Equality Implications**

- 10.1 An Equality Impact Assessment has been completed for this proposal, and no significant negative equalities implications have been noted. The EIA can be found at Appendix B. The transfer of the customer facing Revenues and Benefits functions from Capita to the Council may have a small positive equalities impact if they result in better customer service for people claiming benefits. From customer monitoring information we know that disabled people, people from BME communities, and single parents are more likely to be on benefits than the population as a whole.

## **11. Human Resources Implications**

- 11.1 There are human resources implications arising from this report, notably in the proposal to transfer management of the customer facing elements of the Revenues and Benefits service back to the Council. This will involve around 40FTE staff transferring, which will be undertaken in line with all relevant legislation, and in line with the

---

<sup>1</sup> [Section 3\(1\)](#) of the Local Government Act 1999



Council's agreed policies in this area. This will include full consultation with relevant staff and unions.

- 11.2 In line with the Council's commitment to the principles set out by the Fairness Commission, Capita have confirmed that all of their staff members employed as part of this contract will be paid the living wage or above.

## **12. Other implications**

- 12.1 There are not believed to be any human rights, environmental, economic, community safety, or health inequalities implications arising from this report.
- 12.2 As part of this proposal, Capita will be transferring their staff from Derwent to Moorfoot - this will have some implications for the use of those buildings, which will be identified as part of the Council's ongoing Workplace programme. This will also provide SCC with some additional financial benefits over and above those identified within the main body of the report, which again will be captured as part of the Workplace programme.

## **13. Consultation**

- 13.1 The proposals set out in this report concern the management arrangements for a range of existing and mainly internally-focused services, with no significant changes proposed to the delivery of those services (e.g. in terms of access, entitlement, charges etc.). Because of this, no specific external consultation has been undertaken at this time, as customers should see no significant difference in service delivery.
- 13.2 However, were the delivery of any of these services to change in the future, or there were changes to the policy framework within which these services are delivered, then appropriate consultation would take place with people or groups affected by those changes.
- 13.3 Where the changes proposed in this report impact on staff, then appropriate consultation will take place with affected staff in advance of changes taking effect, in line with the Council's agreed policies, and as set out in section 11 of this report.

## **14. Alternative Options Considered**

- 14.1 For each element of the proposal, a number of other options were considered. These are noted at the relevant sections of this report, along with the recommended option.
- 14.2 The option recommended in each case depends on the particular circumstances of that element, and evaluated in line with the principles set out in paragraph 5.3. In broad terms, the options for each element were:
- Proceeding with the proposal made to the Council by Capita (with or without amendments following negotiation)
  - Retaining in-house delivery, or moving delivery in-house from the current provider
  - Moving delivery of a service currently provided by Capita to a new provider either as a block, or as part of a multi-source arrangement
- 14.3 For services currently managed by Capita, there was no do-nothing option as the contract would expire in January 2016, with no contingency arrangements in place, resulting in critical (and in some cases statutory) services not being capable of being delivered.
- 14.4 In March this year the Council completed an external benchmark of Capita services via an independent organisation – Information Services Group (ISG) which revealed that, all existing services represent ‘value for money’ and that HR & Payroll could already be considered ‘upper quartile’. ISG forecast that market prices would reduce approx. 4% year on year and Capita’s new proposal has bettered this position. Therefore, this reinforces the view that continuing with Capita provision of the existing managed services represents good value for money for the authority.

## **15. Recommendations**

- 15.1 Cabinet are recommended:
- a) To note the contents of this report
  - b) To approve the continuation of Capita provision of the following managed services for a six year period from January 2016, with break points in January 2018 and January 2020:
    - Information and Communication Technology (with flexibility within the contract to market test elements of provision with other suppliers)

- Revenues and Benefits transactional services
- Human Resources transactional and payroll services
- Finance business transactions

c) To approve the development of a strategy/ies, in line with the Council's Corporate Plan, to set out the Council's future requirements for these managed services, and other currently outsourced contracts, in order to inform subsequent sourcing decisions, in time for the first break point in the contract in 2018.

d) To approve the move in-house (i.e. from Capita to Sheffield City Council) the delivery of the Revenues and Benefits front office (contact centre and face to face) from January 2016, and to integrate with the Council's Customer Services function.

e) To accept Capita's guarantee of revenue savings from January 2015 onwards, in line with the schedule set out at paragraph 8.1, the guarantee on Council Tax collection rates set out at 8.3, and to note the potential additional savings arising from business change activity, also set out at paragraph 8.3.

f) To delegate authority to the Interim Executive Director for Resources, in consultation with the Interim Director of Commercial Services and the Interim Director of Legal and Governance, and the Cabinet Member for Finance and Resources to enter into final negotiations with Capita on this basis, and to finalise the relevant changes to the current contract

g) To delegate authority to the Interim Executive Director of Resources, in consultation with the Director of Human Resources, Director of Customer Services, the Interim Director of Finance, and the Cabinet Member for Finance and Resources to make arrangements to secure a robust transition of the services set out at d), including ensuring compliance with relevant legislation to minimise the risk of disruption to the organisation or public

h) To delegate authority to the Interim Executive Director of Resources to establish the revised governance arrangements set out in section 7 and to make arrangements to monitor the performance and delivery of the contract over its lifetime.

This page is intentionally left blank