

**EXECUTIVE**

<b>Report title</b>	Review of the Strategic Partnership	
<b>Executive Member</b>	Councillor Nicky Walker Executive Member for Finance and Governance	
<b>Chief Executive or Director</b>	James Bromiley Director of Finance Governance and Support	
<b>Date</b>	1 August 2018	
<b>Purpose of the report</b>	To provide the Executive with an update in respect of the Strategic Partnership with Kier Business Services Ltd and propose options for the future delivery of the Revenues and Benefits services and, Pension Services.	
<b>Summary of the report</b>	The report outlines the proposal to transfer the Revenues and Benefits services back to the Council from 1 December 2018 or earlier if possible. The report will also outline proposals about future delivery of the Pension Service. The upcoming changes to state benefits and full roll out of universal credit make the timing of this proposal an imperative.	
<b>If this is a key decision, which key decision test applies?</b>	Over the financial threshold (£150,000)	
	Amends the Council's policy framework	
	Affects two or more wards	x
	Non-key	
<b>For the purposes of scrutiny call in procedure this report is</b>	Exempt under s.12a Local Government Act 1972	
	Urgent ( <i>NB this must be approved by the Chair of OSB</i> )	
	Non-urgent	x
<b>If this is a confidential report, which category of exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?</b>		
<b>Decision(s) asked for</b>	That Executive approves the intention to return	

	<p>Revenues and Benefits services to the Council from 1 December 2018 or earlier if possible and to agree to the proposed sale by Kier Business Services Ltd of their Pensions administration business to a third party.</p> <p>Should the proposals for Revenues &amp; Benefits and Pensions Administration be approved the only other service provided by Kier to the Council under the partnership agreement will be Payroll Services. The Executive is also asked to approve the transfer back of the payroll services to the Council if the costs are within delegated financial thresholds and agreement can be negotiated with Kier.</p> <p>Approval is also requested to apply the Council's voluntary redundancy policy if this benefits the Council.</p> <p>Executive agrees work commence to transfer the Revenues and Benefits service back to the Council within this timescale and agree the final terms of this contract be delegated to the Director of Finance, Governance and Support, in consultation with the Executive Member for Finance and Governance.</p>
<p><b>Impact of decision(s)</b></p>	<p>The Council will have direct control of delivery for Revenues and Benefits services, which will achieve increased performance and ensure least impact following the introduction of the Universal Credit service in Middlesbrough from October 2018. Pensions administration services will transfer to a new third party provider for the remainder of the contract to the 31 May 2021 under the existing contractual arrangements. Payroll services may also transfer back to the Council, subject to satisfactory negotiation.</p>

**What is the purpose of this report?**

1. To provide Executive with an update in respect of the Strategic Partnership with Kier Business Services Ltd and propose options for the future delivery of both the Revenues and Benefits services, Pensions Administration and Payroll Services.

**Why is this report necessary?**

2. The Revenues and Benefits service has been part of the Strategic Partnership with Kier Business Services Ltd (formerly HBS / Mouchel) since June 2001. Overall the service has been working well during the past 17 years with the contract previously being extended on two separate occasions. A number of service improvements have been initiated since the inception of the contract including allowing customers to access their accounts 24 hours per day, 7 days per week, promoting the

Council's move to a self-serve solution through digital access and utilising the improved IT software in the Contact Centre.

3. Although there have been a number of service improvements, the collection of Council Tax in particular, and to a lesser degree Business Rates, has continued to be challenging especially since April 2013 when the Government introduced a number of welfare reforms. These reforms directly reduced residents ability to pay their Council Tax. A variety of initiatives to improve collection have been undertaken with varying degrees of success.
4. The next biggest change that will be rolled out by Central Government is the full Universal Credit service, of which the Council has no choice, and will happen from 3 October 2018. From this date, a large number of working age residents will gradually move onto this new benefit, which merges six state benefits into one monthly payment. This has been in place in Middlesbrough since February 2016 for single residents who make a new claim for benefit, but will have a far greater impact once the service is rolled out to the majority of working age residents.
5. In light of this upcoming change, both parties agree that it is the right time for the Revenues and Benefits services to return to the control of the Council who will be better placed to shape the direction of services for current and future years. This is especially important given the uncertainty of Local Government grant funding from April 2020. From this point, it is likely that Council funding will rely heavily on Council Tax and Business Rates collection. Steps therefore need to be taken now to ensure collection is maximised at the earliest opportunity.
6. The removal of Revenues and Benefits services and the selling of their Pensions Administration Business will leave only the Payroll services within the Strategic Partnership contract. The selling of Pension Services by Kier Business Services Ltd will require written consent from the Council.
7. As this would leave only the Payroll Service being delivered by Kier Business Services Ltd, there is the potential for this service to also be transferred back to the Council.

#### **What decision(s) are being asked for?**

8. That Executive approves the intention to return Revenues and Benefits services to the Council from 1 December 2018 or earlier if possible and to agree to the proposed sale by Kier Business Services Ltd of their Pensions administration business to a third party. The Executive is also asked to approve the transfer back of the payroll services to the Council if this is the Council's preferred option and the costs are within delegated financial thresholds and can be negotiated with Kier Business Services Ltd.
9. Approval is also requested to apply the Council's voluntary redundancy policy if this benefits the Council.

10. Executive agrees work commence to transfer the Revenues and Benefits service back to the Council within this timescale and agree the final terms of this contract be delegated to the Director of Finance, Governance and Support, in consultation with the Executive Member for Finance and Governance.

### **Why is this being recommended?**

11. The Revenues and Benefits services will be subject to significant pressures due to the impact of the full Universal Credit service from October 2018 onwards. The Council is looking to provide clear direction for the services and is better placed to implement these if the services are delivered “in house” rather than by an external partner organisation. In addition, the current contract with Kier Business Services Ltd is for a set price which only alters due to inflation. This therefore does not allow for much flexibility within the service. If both services were brought back to the Council, officers would be able to cover areas of specific need as and when required or concentrate on identified areas of work with a greater degree of flexibility, which is not currently achievable.
12. As indicated earlier in this report, the Council will rely heavily on Council Tax and Business Rate collection in future years due to the uncertainty around Central Government funding from April 2020 onwards. The current contract for the Revenues and Benefits service runs until 31 May 2021. If the Council does not choose to alter the current contract, the Council could be left in a position of both services returning to the Council, with grant funding ending, and having to make immediate improvements to collection in order to maintain the finances of the Council. This risk is significant and can be alleviated by the return of both services as soon as possible.
13. These proposals have been discussed with Cllr Nicky Walker, Executive Member for Finance and Governance who is supportive of both proposals. In addition, consultation has been undertaken with Kier Business Services Ltd who agree with the Council’s decision to return the Revenues and Benefits services to the Council. As indicated earlier in this report, Kier Business Services Ltd are currently considering options for the delivery of the Pension Service to Middlesbrough and are looking to sell their entire Pension business, once agreement from all of their partners have been received. If this does progress, this would only leave Kier Business Services Ltd delivering the Payroll Service in Middlesbrough and consideration will therefore need to be given to also returning this service to the Council.
14. No other external consultation has been undertaken.
15. Neither of these matters have been examined by the Overview and Scrutiny Board or by a Scrutiny Panel

## **Other potential decisions and why these have not been recommended**

16. The Council does have the opportunity to keep the delivery of the Revenues and Benefits services with Kier Business Services Ltd. However, this option could negatively impact on the Council's future financial resources and also does not allow the Council the flexibility to deliver the right services for residents, especially with the impending Universal Credit changes. It is therefore felt that this option is not feasible.

### **Impact(s) of recommended decision(s)**

17. The impacts of these decisions are as follows:

#### ***Legal***

18. The current Revenues and Benefits contract runs until 31 May 2021. The Strategic Partnership contract does not allow for the transfer of services or an extension of the contract period. However, if both parties agree to the cessation of the contract, which is the case here, this is acceptable from a Legal point of view as there are no adverse impacts on either organisation. The Council does recognise the loss in contractual rights for Kier Business Services Ltd but this will be considered alongside any potential changes to the Pension service administration and payroll services.

#### ***Financial***

19. As indicated above, the current Strategic Partnership was due to run until 31 May 2021. The Council will require Kier Business Services Ltd to end the delivery of the Revenues and Benefits service from 30<sup>th</sup> November 2018, which will mean that any profit derived from this service, will also end. The delivery of the Pension Service is currently being reviewed alongside the Revenues and Benefits service. Kier Business Services Ltd require explicit written consent from the Council to sell their Pension Service; however, this does not have any financial impact, as the contract price will remain. It is envisaged that the cost of returning the Revenues and Benefits will be significantly less than the key decision financial threshold. Some contribution towards the reasonable insourcing costs incurred by Kier Business Services Ltd may be made by the Council to facility the transfer, within delegated financial thresholds.
20. A specific team will be set up by the Council to ensure the smooth transition of the Revenues and Benefits services back to the Council. This will incorporate officers from Human Resources, Legal Services, Commissioning and Procurement and the Client Benefits teams. This will have a workload impact on all departments given that this additional work is not currently undertaken or required and may require some additional resource to cover the respective areas. A working group will be implemented in order to manage the transition and will work with the Programme Management Office. It is anticipated that a 3 month lead in time prior to the services returning to the Council will be required.

21. Any future financial costs for the Revenues and Benefits services as a result of any proposed service improvements will be discussed and agreed through the formal budget process.

### ***The Mayor's Vision for Middlesbrough***

22. The increased emphasis on Council Tax and Business Rates collection will provide greater income to the Council. By default, this will mean that the Mayor's vision can be implemented successfully and both the Social and Physical regeneration of the town can continue at pace given the additional income collected from residents and businesses alike.

### ***Policy Framework***

23. The changes to the Revenues and Benefits will be implemented within the policy and budget framework.

### ***Wards***

24. All wards are affected by these proposals, although no wards will be affected differently.

### ***Equality and Diversity***

25. A Stage one screening impact assessment has been undertaken as part of the development of these proposals. It found that there were no concerns that the proposals could have a negative impact on individuals or groups because they held one or more protected characteristics. A copy of the Equality Impact Assessment is attached to this report at Appendix A.

### ***Risk***

26. The risks associated with returning both the Revenues and Benefits service to the Council are reduced as the Council will have direct input into the running of both services and be able to shape the service to future requirements. This is not possible if the contract for these services remains unaltered.
27. The actual impact of the full Universal Credit roll out is unknown although the service will take all measures possible to mitigate the risks identified through joint working with partner organisations prior to the roll out in October 2018. The risk in the Strategic Risk Register around failure to respond to legislative change is relevant to this proposal (O8-055).

### ***Actions to be taken to implement the decision(s)***

28. If Executive approve the recommendations, the necessary actions will be carried out by the Commissioning and Procurement team in conjunction with Legal

Services in relation to any contractual in relation to the current Strategic Partnership contract.

29. The Head of Financial Governance and Revenues will lead the necessary work on the transfer of the Revenues and Benefits services, including the development of a project group to oversee the process.

### **Appendices**

30. Appendix A – Review of the Strategic Partnership – Impact Assessment.

### **Background papers**

31. No background papers were used in the preparation of this report.