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<b>REPORT TO:</b>	<b>FINANCE &amp; MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 12</b>
<b>DATE OF MEETING:</b>	<b>5th DECEMBER 2013</b>	<b>CATEGORY: OPEN DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	
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<b>SUBJECT:</b>	<b>CORPORATE SERVICES CONTRACT and STRATEGIC PARTNERSHIP ANNUAL REPORT 2012/13</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendation**

- 1.1 That the annual report detailing the performance of the Contract and wider Partnership in 2012/13 be approved.

## **2.0 Purpose of Report**

- 2.1 To provide details of the performance of the Contract and Partnership Agreement for the 3rd year between the Council and Northgate Public Services. As one of the Council's most significant contract and partnership arrangements, this is in accordance with the Council's Corporate Partnership Policy.

## **3.0 Detail**

### **Background**

- 3.1 The Council have appointed Northgate Public Services (NPS) to deliver the Council's Corporate Support Services under Contract, together with a range of strategic objectives around the creation of a Regional Business Centre and to support transformation within all council services.
- 3.2 The Contract commenced on 1<sup>st</sup> August 2010 for 7 years, with the Council having an option to extend this period by a further 3 years. The Council appointed NPS to deliver its objectives for Corporate Services and the wider Business Centre. The overall aims are:

- To deliver on-going improvements in service delivery
- To achieve cashable savings
- To retain and grow jobs in South Derbyshire – a “net importer of jobs.”
- To protect and develop employees in times of change
- To provide stability and resilience in service provision
- To invest in ICT
- To provide the Council with access to additional skills
- To deliver innovation and transformation across all council services.

### **The Contract**

3.3 NPS are responsible for day to day service delivery of the following functions for the Council.

- Revenues and Benefits
- Customer Services and the Contact Centre
- ICT
- HR and Payroll
- Health and Safety
- Training and Development
- Policy and Communications
- Procurement and Business Improvement
- Printing and Design
- Provision of Stationery, Mail and Postage Facilities

3.4 Financial and Exchequer Services were also transferred in August 2010 but were returned back to direct Council control in June 2012.

3.5 The Council remains responsible for setting strategy, policy and work plans associated with the above services, such as the IT Strategy and HR policies, etc. In addition, it retains the budgets for IT maintenance, upgrades and replacement together with other corporate activities such as banking, insurance provision and corporate training.

3.6 The contract value is approximately £2.75m per year subject to an inflationary increase on an annual basis. 84 staff were initially transferred across from the Council to NPS to deliver services. All services are delivered from the main Civic Offices, although the actual processing of payroll and the IT helpdesk take place off-site.

### **Guaranteed Savings**

3.7 NPS have guaranteed to the Council a certain level of savings over the life of the initial 7-year contract. Firstly, the contractual price for the services transferred was £125,000 lower than the (then) current costs, a year on year reduction of 5%. This was applied on Day 1 of the Contract and is on-going.

3.8 The other guarantees are as follows:

- £42,000 per year through additional income from council tax and sundry debtor collection (£294,000 over 7-years)
- £356,400 on-going savings in total over the first 5-years of the Contract through procurement transformation.
- £142,000 on-going savings in total over the first 5-years of the Contract through transformation of other council services.

### **Risk Reward Mechanism**

- 3.9 The guaranteed savings for procurement and transformation are the net amounts at a rate of 40%. Effectively therefore, gross savings are contracted at 60% higher, i.e. £891,000 and £355,000 for procurement and transformation respectively.
- 3.10 They also represent cashable savings that can be identified in Council budgets.
- 3.11 This risk/reward approach reimburses NPS for investing resources up front to generate budget/efficiency savings. Savings in the first year from any change, etc. are shared equally at the rate of 40% with the remaining amount (20%) placed in an Innovation Fund to resource future investment in efficiency savings. After the first year, all savings are for the sole benefit of the Council.
- 3.12 Any gain share on income collection is subject to the impact on the Bad Debts Provision. Unless this is physically reduced, no cash is available for distribution. If collection targets are exceeded, this will reduce the annual contribution to the Provision than would have otherwise been required and is effectively “cost avoidance.”
- 3.13 The Partnership Agreement also allows for other authorities within the East Midlands Region to buy-in services from the Regional Business Centre. The value of any work is subject to a one-off gain share payment to the Council.

### **Jobs Guarantee / Regional Business Centre**

- 3.14 Due to planned efficiencies in Corporate Services, it was expected that the overall numbers employed for the “core client” (SDDC) would reduce over the life of the Contract.
- 3.15 However, NPS have guaranteed that 100 new jobs will be brought into the District by consolidating business in South Derbyshire and from work brought into the Regional Business Centre. This also presents redeployment opportunities for transferred staff.

### **Performance Framework**

- 3.16 The performance of NPS against the objectives is monitored through a set of key performance indicators (KPIs) covering all service areas. These come with

a set of targets and measures designed to maintain and improve service provision, together with the achievement of the strategic objectives.

3.17 A default regime is in place which penalises poor or failing performance. However, there is also a reward mechanism in place where performance exceeds target or where NPS provide the basis and framework for budget savings (subject to Council approval) based on their transformational work.

3.18 This is a key element of the Partnership Agreement, alongside the Council's support to NPS, to deliver a regional business centre in the district to help expand services to benefit the local economy.

### **Management and Governance Arrangements**

3.19 The Director of Finance and Corporate Services has overall responsibility for managing and working with NPS to deliver the services and wider objectives. Day to day monitoring of KPI performance is undertaken by a Client Services Unit, which was formed from retained staff who did not transfer to NPS.

3.20 An Operations Board considers performance on a monthly basis, with a Strategic Partnership Board taking an overview and monitoring the strategic objectives on a quarterly basis.

### **A Summary of 2010/11**

3.21 The first year's performance of the Contract was reported to the Committee in December 2011. This included a period of transition after which NPS began their initial investment in transformation, IT and creating the Regional Business Centre.

3.22 Generally during the first year, performance was good with most KPIs being met and in some key areas exceeded. In particular extended targets in customer services and benefits processing were achieved, with the Customer Services Team winning a local business award in October 2011.

3.23 However, issues in producing the Council's annual accounts for 2010/11 within the statutory timescale gave rise to the Financial Services Unit being returned back under the direct management of the Council. This was completed in June 2012. There were also on-going problems with the Payroll Service.

3.24 During the first year, NPS invested significantly in IT with a new HR/Payroll system being implemented, together with a substantial upgrade to the Council's Financial Management System.

### **A Summary of 2011/12**

3.25 During the year, service performance continued to be good in almost all service areas, with all key performance indicators being met. The Payroll Service aside, there was limited day to day operational issues.

- 3.26 Given the change in some areas, for example with the IT Service Desk, some problems were experienced. However, issues were generally resolved and did not impact on KPI performance.
- 3.27 The development of the Regional Business Centre also increased in 2011/12 with a Document Management function being set up in the Civic Offices and contracts won to process revenues and benefits for other local authorities.
- 3.28 The Payroll service continued to provide problems and consequently, the function was transferred to an alternative service centre to improve performance. This was completed during 2012/13.
- 3.29 Major investment in upgrading the ICT infrastructure commenced during this year with a full server replacement taking place. The Council's telephony system was also upgraded.

### **2012/13 in Detail**

- 3.30 July 2013 saw the third complete year of the Contract. Generally, all performance measures were achieved although within this, there were some further problems in Payroll and ICT. An analysis of performance and progress in each of the main service areas is provided in the following sections.

### **Revenues and Benefits Processing**

- 3.31 The last year has continued to present challenges in common with most local authorities. The on-going economic situation has made debt collection more difficult and changes to Government systems, together with Welfare Reform has challenged collection rates and processing times.
- 3.32 However, targets for 4 of the 5 main collection rates were achieved with a big improvement in the collection of in-year Business Rates.
- 3.33 The processing of new benefit claims continued to be much quicker than the shire district average, although some quarterly targets for processing change of circumstances, were not met. Additional resources have been employed to keep performance on track, including investment in ICT to improve processing times.

### **Customer Services and the Contact Centre**

- 3.34 With the implementation of the new Local Council Tax Support Scheme and further changes to welfare benefits on 1<sup>st</sup> April 2013, the number of people contacting the Council has increased with queries taking longer to resolve.
- 3.35 Consequently, a formal queuing system was introduced, supported by a person (floor walker) to ensure people are being dealt appropriately at peak times. The changes also included providing greater privacy for people in the actual Customer Services Office.

3.36 In addition, the telephone system was changed to enable calls to be routed direct to popular service areas without having to wait and be transferred from the main switchboard.

3.37 Apart from a small cost of purchasing some additional equipment, the effect of these changes has been contained within overall resources and implemented in a timely manner.

## **ICT**

3.38 In accordance with the ICT Strategy, significant investment was made in the IT infrastructure. This has put the building blocks in place in order for the Council to benefit from developments in technology. The key projects completed were:

- Replacement of all major servers
- Virtualisation programme of most servers and desktops
- Enhancement to the corporate email system
- Upgrade of Microsoft office
- Replica network implemented
- Expansion of wireless connectivity

3.39 This investment is a key element of the ICT strategy. The Council is providing the funding for hardware, with NPS providing additional technical skills and expertise to the in-house team in delivering the associated projects.

3.40 During August 2013, there were two consecutive IT outages. These were rare occurrences that impacted on key systems; the downtime in some instances lasted between one and two days.

3.41 Subsequent investigations pointed to a disk failure. In addition, a complete diagnostic of the IT platform was undertaken by NPS and the third party provider of the Council's hardware. This found several issues with set-up and server software which have been corrected.

3.42 The associated KPIs were not breached, although the measurement of one indicator was changed to better reflect incidences of downtime.

## **Payroll**

3.43 During the year, the weekly payroll process was shut down with all remaining employees now paid monthly. There have also been some developments to streamline the HR/Payroll system.

3.44 However, despite a transfer to a new service centre, the Payroll service continued to present problems.

3.45 NPS have attempted to resolve the situation on several occasions and some improvement has been made. However, it is considered that the current service delivery model has not worked for the Council and that it continues to present a risk in terms of control and in meeting statutory requirements.

Therefore, the Council is currently in the process of working with NPS to transfer the service back into South Derbyshire.

### **Outbound Mail**

- 3.46 Work is well underway to move all bulk printing offsite to a local provider as part of the Paperlite Strategy. The local provider has the necessary equipment and economies of scale, to receive and distribute bulk documents (for example Council Tax bills) at reduced cost.
- 3.47 This is streamlining the production of outgoing documents to reduce costs and free up staff capacity in the Council. All Council Departments should be migrated by March 2014.
- 3.48 The solution being rolled out also includes an on-line facility enabling all staff and Members to create ad hoc documents which are printed and managed off site in a more cost effective manner
- 3.49 The solution has been implemented for most documents and correspondence sent out from Revenues and Benefits, together with Planning; Housing Services is currently being implemented.
- 3.50 In addition, the Council's Multi-Functional Devices (MFDs) are currently being replaced. These are the machines used for printing, photocopying and scanning documents locally.
- 3.51 The current MFDs are nearing the end of their life and are being replaced by a much smaller number of higher specification devices to accommodate a reduced level of printing.

### **Key Performance Indicators (KPIs)**

- 3.52 Performance against all the individual KPIs by service area over the last year is monitored monthly. All KPIs are subject to a default regime, which is an escalation scheme based on three severity levels. Defaults during the past year are shown in the following table.

Service Area	KPI	Oct to Dec 12	Jan to March 13	April to June 13	July to Sept 13
Customer Services	CS 02 80% of Telephone Calls answered within 20 seconds		Sev 2 (performance was 71%)		
ICT	IT 03 Overall Service Rating is greater than 80%		Sev 2 (rating was 48%)		
ICT	SD 06 First time fix at initial contact with Service Desk is greater than 70%				Sev 2 (performance was 58%)

Council Tax Collection	CT 03 Collection of Arrears b/fwd is greater than 30%		Sev 1 (performance was 23%)		
Housing Benefits	HB 03 Average time for processing change of circumstances is less than 8 days	Sev 2 (Average was 19 days)		Sev 2 (Average was 16 days)	Sev 2 (Average was 18 days)

**Key:**

Sev 1 – Severity level 1 – Fundamental Service Failure – Default Payable

Sev 2 – Severity level 2 – Moderate Service Failure – “x” times S2 = S1

Sev 3 – Severity level 3 – Minor Service Failure – “x” times S3 = S2

**Telephone Calls (CS 02)**

3.53 This is measured monthly with performance temporarily falling below the target in March 2013. This was due to the number of additional queries received following the issue of Council Tax bills for 2013/14. This included 2,000 additional bills being sent out to households paying for the first time who had previously been in receipt of benefit.

**ICT Service Rating (IT 03)**

3.54 This followed an internal survey of all staff, with the overall satisfaction rating well below previous levels. It is considered that some of this is attributable to the amount of change in IT and the relocation of the service desk to an offsite facility.

3.55 These surveys are undertaken annually and due to improvements made, it is expected that satisfaction will have improved over the last year. The results of this year’s survey are due in early 2014.

**ICT First Time Fix (SD 06)**

3.56 This is an annual target measured on a rolling 12 month basis with the review period being in July each year. It measures the amount of IT queries resolved at the first point of contact by the Service Desk, without the need to refer to the on-site team, with a consequential delay in problem fixing.

3.57 During the year to July 2013, the percentage fell from 80% to 58%. This was mainly attributable to the IT upgrades around the email enhancement and virtualisation work, where queries increased which temporarily needed greater on-site support to resolve. Performance has since increased to around 80%.

**Collection of Council Tax Arrears (CT 03)**

3.58 This fell below target for the second consecutive year. However, performance is aggregated with 3 other collection rates and combined under the Income Guarantee arrangement. The combined rate exceeded target and so no default applied. This is detailed later in the report.



## Processing Change of Circumstances (HB 03)

- 3.59 This target was missed on 3 out of 4 occasions over the last year. Due to performance being better on other KPIs relating to benefits, this has not triggered an overall Level 1 default.
- 3.60 However, processing times have slowed; this is attributable to recent changes in the method in which the DWP pass information to councils to enable them to assess benefit entitlement more accurately and in a timely manner. It is part of a project known as ATLAS (*Automatic Transfer to Local Authority Systems*).
- 3.61 Ultimately, this system should ensure that councils maximise the subsidy they are reimbursed, with any loss through errors stemming from missing and/or inaccurate data being minimised.
- 3.62 However, at present there is substantial amount of additional information being sent over ATLAS which is requiring extra checks to validate. Despite upgrades to the Council's software and additional resources being input (financed from a Government Grant that is not permanent) this problem has remained.
- 3.63 A further software upgrade has been identified which should make the validation easier and this is being kept under review. In the meantime, error rates in processing are reducing. Whether this is all a direct consequence of ATLAS is not fully known, but it is considered to be a big factor.

## Regional Business Centre

- 3.64 The current status of jobs which compares the number of transferred staff and the Regional Business Centre is summarised in the following table.

Service Area	Start of Partnership	Employed as at 30th September 2012	Posts Being Recruited
Finance	11	0	0
ICT	10	6	1
Customer Services	21	16	0
Revenues and Benefits	20	19	1
Policy, Communications, Print/Design	7	7	0
HR and Payroll	9	6	0
Procurement and Business Improvement	6	3	1
Service Management and Development	0	3	0
Regional Business Centre (see below)	0	28	1
<b>Total</b>	<b>84</b>	<b>88</b>	<b>4</b>
Less Finance Transferred Back	-11	0	0
<b>NET POSITION</b>	<b>73</b>	<b>88</b>	<b>4</b>

**These figures represent the fixed establishment and exclude the transformation resources of NPS supporting the above, together with resources provided off-site and on an ad-hoc basis, such as to support ICT investment.**

## Expanding the Business Centre

3.65 The figure for the Regional Business Centre includes:

- A document scanning service for multiple clients across the UK.
- Provision of Revenues and Benefits for South Buckinghamshire DC.
- Back-up Revenues and Benefits service for 4 other local authorities.

3.66 This also includes 6 modern apprentices, 4 of which have been employed full time following a successful training programme.

3.67 Under their commitment to provide 100 new jobs in the District, NPS are still pursuing a new site to relocate the Regional Centre. This will include the consolidation and transfer of contracts for other public sector agencies into South Derbyshire.

## Savings Achieved To-date

3.68 Besides the initial contract savings, the following cashable savings have been achieved to-date.

	Target	Guaranteed Minimum	Actual as at 30 <sup>th</sup> September	On Target
Income Collection	£294,000	£294,000	£126,000	Yes
Procurement	£891,000	£356,000	£90,000	No
Transformation	£355,000	£142,000	£259,000	Yes

## Income Collection

3.69 The figures for income collection are discrete each year and depend on the collection rates for Council Tax and sundry debtors. Four KPIs are used to measure performance and are aggregated for the purposes of the default/reward mechanism.

3.70 The income guarantee target is £42,000 per year. Performance in 2012/13 is summarised in the following table.

Performance Indicator	Target	Actual	Met
Council Tax – in-year collection	97.4%	97.9%	Yes
Council Tax – arrears collection	26.7%	23.4%	No
Overpaid Housing Benefit recovered	34.2%	39.5%	Yes
Sundry Debtor income collected	82.6%	90.6%	Yes

3.71 As highlighted earlier, the target for Council Tax arrears was not achieved. However, the performance on the other collection rates more than compensated for the reduction in arrears recovery (compared to target).

3.72 Overall, this reduced the contribution to the bad debt provisions than would have otherwise been required. Therefore, the income guarantee was in the form of cost avoidance to the Council but with no cashable savings falling under the risk/reward mechanism.

### **Procurement**

3.73 Actual savings achieved to-date is still behind that required in order to achieve the guaranteed amount. There have been a number of procedural improvements during the year, including the establishment of a pre procurement mechanism to ensure that the best buying solution is used and a market analysis undertaken.

3.74 In addition, NPS have appointed a senior procurement officer full time into the Council. Their role is to help deliver savings from major work areas that are currently and are due to be put out to contract.

### **Transformation – Service Reviews**

3.75 Gross savings achieved to-date total £259,000 towards the gross target of £355,000.

## **4.0 Financial Implications**

4.1 As detailed in the report.

## **5.0 Corporate Implications**

5.1 Where applicable, as detailed in the report.

## **6.0 Community Implications**

6.1 None directly.