

Cabinet Member for Economy and Corporate Resources	Ref No: ECR01 20-21
July 2020	Key Decision: Yes
In-sourcing financial services from Support Services Outsource Contract	Part I
Report by the Director of Finance and Support Services	Electoral Divisions: n/a
<p>Summary</p> <p>The paper sets out the proposal to insource to the Council from the Support Services Outsource contract ("SSO") the service known as Service Finance, currently delivered by Capita, as this will better support the delivery of these services.</p> <p>The services relate to Adults and Children's Social Care finances, covering welfare benefits assessments including the administrative support function, financial adults' safeguarding services (deputyship), direct payments to adults and children, children's fostering, adoption and Early Years finance activities, invoicing adults' services customers for their contribution towards residential and non-residential services, residential property and residential purchasing and invoicing services.</p>	
<p>West Sussex Plan: Policy Impact and Context</p> <p>This proposal seeks to support the West Sussex Plan outcomes related to 'A council that works for the community' specifically in respect to achieving value for money. Additionally, as set out in paragraphs 2.4 and 2.5 to enable the Council's transformation activity and new ways of working.</p>	
<p>Financial Impact</p> <p>The contract payments which the Council currently makes to Capita will be reduced by around £3.3m to reflect the removal of the Service Finance services from the SSO Contract. Aside from transition costs, it is anticipated the reduction in the contract price will be sufficient to fund the costs of the transferred staff.</p>	
<p>Recommendation</p> <p>That the Cabinet Member for Economy and Corporate Resources agrees the proposed in-sourcing of Service Finance from the Support Services Outsource Contract to take effect from 1 August 2020 or as soon after as practicable.</p>	

Proposal

1. Background and Context

- 1.1. In 2012, the County Council entered into a 10-year contract with Capita, known as the Support Services Outsource contract ("SSO"), to deliver a range of back office support functions. In 2014 two services, Financial Adult Safeguarding and Welfare Benefit Advisers, were added. Work is underway to determine future options for the currently outsourced services when the SSO comes to

an end in September 2022. These options will be subject to decision making in due course.

- 1.2. In line with good commercial practice, the SSO and the services are reviewed on a periodic basis or when the need arises. This report sets out the rationale to insource Service Finance to the Council now.

2. Proposal Details

- 2.1 Approval is sought to make changes to the scope of the SSO. The specific functions within Service Finance identified as being suitable for transfer to the Council from Capita are set out in detail in the Appendix.
- 2.2 The insourcing of Service Finance will enable the Council to have greater control and flexibility in the delivery of these largely statutory services. The Council is driving a series of improvements in Adult Social Care designed to deliver benefits for residents. The split in ownership between the Council and Capita is shown to be limiting flexibility to implement Council direction due to the constraints of the contract and the mechanisms for agreeing service changes. This is not untypical in a large long-term contract, particularly one nearing its end.
- 2.3 As the Council continues to assess and respond to the longer lasting impacts of the current Covid-19 pandemic the insourcing will enable the Council to be better positioned to adapt these services to changing needs. For example, modernising how assessments are undertaken reflecting the different ways in which the Council engages with residents through technology; redesigning internal processes; responding to changes in Government policy; and adapting to changes in service demand.
- 2.4 The proposed insourcing should also provide enhanced opportunities for integration of working practices and procedures to support improved service delivery to West Sussex residents. As well as supporting more effective collaborative working between Finance, Adult Social Care and Children's Services in a period of rapid change, this proposal recognises that these services are delivered as part of a wider engagement with vulnerable adults and families, including integration of working practices and procedures.
- 2.5 In addition, the Council is undertaking a number of transformation and service change activities, particularly within the Adults Service Improvement Programme, which will affect these services. There are opportunities to better utilise technology from the end users' viewpoint. The current contract does not provide a simple mechanism to achieve these changes.

Approach to the insourcing

- 2.6 The services are to be insourced to the Council by mutual agreement between the Council and Capita through a Deed of Variation.
- 2.7 Both parties agree to ensure a smooth transition of the services. This includes the appointment of appropriate Project Management resource. This approach is very similar to that adopted by both parties previously.

- 2.8 The intention is to transfer the service in its current operating state on 1st August 2020 or as soon after as practicable. The Service Finance function will retain the same roles, processes and tasks in the first instance. Following the move, the services will be reviewed as part of the Improvement Programme. In parallel, the Council is considering the potential novation of two third-party suppliers that are currently used by Capita to provide support for elements of the service delivery. The contracts are both low value and relate to cash collection and a personal alarm system.

Factors taken into account

3. Consultation

- 3.1 The Cabinet Member for Finance and the Cabinet Member for Adults and Health have been consulted and their comments have been reflected in the proposal.
- 3.2 At Performance and Finance Select Committee on 9th July pre-scrutiny of the proposal was carried out by elected members. The proposed decision was supported by the Committee. Also, the report has been amended to clarify the financial view in respect to the Council's financial years.
- 3.3 There will be a formal consultation with affected Capita staff as set out below in paragraphs 4.4 to 4.7.

4. Financial and Resource Implications

- 4.1 As a result of the insource the Council's contract payments to Capita will be reduced when the service transfers. The total reduction is estimated to be around £3.3m over the remaining period of the contract (£1.5m in a full year). It is anticipated the reduction in the contract price will cover the costs of the transferred staff. This will be confirmed when the TUPE list is finalised. The total contract reduction is currently an estimated figure because the reduction in contract payments is calculated per month until the contract end date and may vary if the services do not transfer on the date which is currently planned.
- 4.2 In addition, there is a potential cost to the Council currently estimated at around £160k per annum due to staff auto enrolment in the Local Government Pension Scheme. The exact impact will not be known until the list of staff eligible to transfer is finalised. To facilitate the transition a project manager has been engaged at an anticipated cost of £70k. The costs of the transition (£240k) will be met through the budget for the Capita contract.

	20/21	21/22	22/23
	£'000s	£'000s	£'000s
Current Budget/Contract Reduction	1,000	1,500	800

The table above assumes a transfer date of 1st August 2020 and the contract reduction has been shown pro-rata on this basis and a contract end date of September 2022.

- 4.3 The Council and Capita have been in discussion regarding the implementation of the decision to reduce the Minimum Income Guarantee (MIG) rate for working age customers and during this time the annual reassessment work

has been delayed. Agreement has been reached that the best way forward is to insource the service. In recognition of the work that the Council will need to undertake following the proposed insource Capita has agreed to reflect this in the contract financial reduction. The insourcing will enable the Council to complete the delayed work enabling the realisation of the estimated savings of £350k per annum. This is separate to the contract reductions set out in the table.

Implications for Human Resources

- 4.4 The Capita staff proposed to transfer will be a mixture of returning ex-County Council and Capita staff and their employment terms and conditions will be protected under the Transfer of Undertakings (Protection of Employment) legislation (TUPE).
- 4.5 There are a total of 53.43 FTE (61 headcount) affected across the services identified and will be in scope for TUPE. There could be amendments to the final number of staff until the TUPE transfer takes place. The proposed high-level indicative timeline to complete the transfer of the services is set out below:

Phase	Dates
Engagement and Consultation with staff (TUPE)	18/06/20 – 31/07/20
TUPE Transition and implementation plan finalised	25/06/20
TUPE transfer, Service commencement and induction into County Council	01/08/20

- 4.6 The UNISON representatives for Capita and the Council have been engaged in the process and are attending regular meetings and providing support to the staff.
- 4.7 As the intention is to transfer the service in its current operating state the proposal will be for the service to be delivered initially within the Finance and Support Services Directorate.

5. Legal Implications

- 5.1 The Service Finance functions were outsourced to Capita by virtue of the SSO which was completed by the Parties in September 2012. In order to achieve the objectives detailed at section 2 above, advice has been sought from Legal Services and it has been involved in drawing up the Deed of Variation to the SSO. The insourcing by mutually agreed Deed of Variation to the SSO has successfully been utilised by the Council and Capita for the previous transfer of services.

6. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
There is an operational risk to the services transferring which could impact the wider organisation.	The County Council is working closely with Capita to ensure a smooth transition of the services. Detailed implementation plans will be in place for the future of the service.
Staff morale could suffer during the transition which could affect service delivery.	As set out above the process for managing the transfer will include regular staff engagement and consultation with UNISON throughout. The timeframe for the insource also seeks to mitigate this risk.

7. Other Options Considered

- 7.1 The option of retaining the services within Capita was considered, as were the interdependences with other Council services and the remaining term of the contract. This option would not provide the increased control and flexibility sought in order to deliver the Council's current needs or enable the additional service requirements to be fully achieved.

8. Equality and Human Rights Assessment

- 8.1 There will be very limited changes made to the way the services are currently provided as the functions are to be insourced substantially as they are, with no personnel, and very limited process or operational change. As a result of the impact of Covid-19 the services will need to do things differently and following the insourcing the Council will continue to treat staff and customers equitably. If there are future changes to be made to the service, the roles and the processes, it will be the Council's responsibility to assess the impact at that time.

9. Social Value and Sustainability Assessment

- 9.1 The improvement of outcomes for local residents is sought through the increased flexibility which the proposed insourcing is expected to deliver, particularly to take up the opportunities identified above and provide a better service to customers as a result. Following the insource the County Council will have sole control over these largely statutory services.

10. Crime and Disorder Reduction Assessment

- 10.1 None.

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Appendix

Service Finance functions to be insourced

Background papers

None

Appendix: Service Finance functions to be insourced

Function	Headcount
<p>Residential and Non-Residential Charging - covers the following functions:</p> <ul style="list-style-type: none"> • purchasing residential placements for Adults' Services • invoicing customers for their client contribution towards both residential and non-residential care in line with the Care Act • paying residential homes for care • undertaking annual financial reassessments of the client's contribution. 	11
<p>Welfare Benefits Advisors and Welfare Benefits Advisors Support</p> <p>The WBAs are responsible for undertaking new customer financial assessments for Adults' Services and the support team are responsible for booking appointments for the financial assessments to be undertaken.</p>	19
<p>Financial Adults Safeguarding Team (Deputyship)</p> <p>The Team are responsible for managing, under court order, the finances of customers without mental capacity who have no one to act for them.</p>	15
<p>Direct Payments involves making payments and monitoring the transactions of Direct Payments customers or their representatives via Mosaic, on behalf of Adults' and Children's Services.</p>	8
<p>Children's Payment involves the processing of payments for the Fostering and Adoption Service to Foster Carers and Adoption, Special Guardianship and Residence Order Holders as well as Children's Early Years.</p>	4
<p>Management</p>	4
<p>Total</p>	61