



City of Westminster Cabinet Member Report

Decision Maker: Cabinet Member for Finance & Council Reform

Date: 07 November 2023

Classification: Part Exempt

The Part B report is exempt from publication as the business to be transacted involves the disclosure of information as prescribed by paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 relating to information relating to the financial or business affairs of any particular person (including the authority). The public interest test has been considered and, in all the circumstances, the public interest in maintaining the exemption is considered to outweigh the public interest in disclosing the information.

Title: **Utilisation of existing contractual extension option for the Revenues & Benefits Service**

Wards Affected: All

Key Decision: Yes

Financial Summary: Full details are included in the exempt Part B report

Report of: **Martin Hinckley**
Director of Revenues & Benefits

1. Executive Summary

- 1.1 This report seeks approval for utilisation of the existing contractual option for the council to extend the current Revenues & Benefits contract by three years to 31 October 2028.
- 1.2 Service provision since the last contract award to Capita Business Services Ltd in 2018 has been very good, especially given the additional work undertaken by the contractor to support government initiatives relating to the pandemic and the cost-of-living crisis.

1.3 The proposed extension has been reviewed internally and by the Executive Director of Finance and Resources.

2. Recommendation

2.1 That the Cabinet Member for Finance and Council Reform approves the utilisation of the existing contractual option to extend the current Revenues & Benefits contract with Capita Business Services Ltd by three years from 1 November 2025 to 31 October 2028 for an amount listed in the exempt Part B report.

3. Reason for the Decision

3.1 The recommendation for the utilisation of the existing contractual extension option is made on the basis of very good service provision to date (including throughout the pandemic and the current cost of living crisis). These factors, alongside the costs of re-tendering, and associated implementation costs if we were to transfer to a new provider, means that utilising the existing contract extension provision is the most economical advantageous option for provision of this service.

4. Background

4.1 The Revenues & Benefits service provides for the administration and collection of Council Tax (£120m per annum) and Business Rates (NNDR) (£2.4B per annum (pre-pandemic figure - currently £2.153B). The service also provides for the administration, calculation and payment of Housing Benefits and Council Tax Support.

4.2 The service is a comprehensive service covering all aspects of each service, including:

- All Information technology
- A call centre facility
- A Benefits reception site

4.3 Since the award, the contract has performed very well, with the highest ever in-year collection figures for Westminster of 97.6% for NNDR and 96.7% for Council Tax being achieved just before the pandemic (2019/20).

4.4 During the pandemic, local authorities were prohibited from taking recovery action for long periods and therefore all local authority collection percentages were reduced. In 2022/23 collection improved for both Council Tax and NNDR and should hopefully be back to near pre-pandemic levels at the end of this financial year.

4.5 Since the start of the pandemic the contractor has additionally assisted the Council with:

- The payment of Business Support grant, £300M
- Additional NNDR Hardship applications
- Increased Housing Benefit & Council Tax Support claims
- Council Tax Hardship payments (S13A allowances)
- Council Tax Rebate (£150 Energy) payments to 56,000 residents
- Council Tax Support Top-Up Scheme in 2020/21 & 2023/24

4.6 The contractor has also adapted its Council Tax collection processes to encompass the Council's Ethical Recovery process. This includes four main strands: -

- Pro-active promotion of the Council's 100% Council Tax Support scheme for residents struggling to pay their Council Tax
- Long-term payment arrangements being agreed, i.e. no longer insisting that Council Tax debts are paid in full by 31 March.
- Increased use of Council Tax Hardship (Section 13A) allowances for residents with exceptional circumstances / current inability to pay. £200k was allocated to Council Tax Hardship funding as part of the Council's initial Cost of Living £1M funding, the majority of which was utilised in 2022/23. The balance of this funding, together with initial funding of £89K from the government's Council Tax Support Fund, has been allocated for 2023/24 and the requirement for further funding will be kept under review throughout 2023/24.
- Ensuring that the removal of goods by the Council's enforcement agents can only take place for Council Tax debts where the debtor has the ability to pay but is refusing to pay, i.e. "won't pay" residents. Authorisation for all Council Tax removals by the Council's enforcement agents must be approved by the Director of Finance & Resources or the Director of Revenues & Benefits. To date, the Council's enforcement agents have made no such requests for Council Tax debts. The Council's enforcement agents continue to assist collection and equally importantly provide the identification of vulnerable residents that would otherwise not be known to the council.

5. Extension Proposal

- 5.1 The current contract was let in 2018 for a period of 7 years (up to 31 October 2025) with an additional contractual 3-year extension option for use at the council's discretion.
- 5.2 This report seeks to utilise the 3-year extension option, which will take the contract end date to 31 October 2028.
- 5.3 The contractor has delivered significant social value benefits since the last contract award and plans to continue with these social benefits during the extension period. The Council's Social Value team have advised that "*Capita have been at the forefront of our engagement with communities supporting a*

wide range of projects aligned to local need including helping residents access skills, inclusion initiatives for care leavers and financial support for social enterprises, like Westminster Wheels (bike refurbishment project and employment for young people).”

6. Alternative Options

6.1 There would appear to be limited alternative options to the proposed contract extension:

- To bring the service back in house

The current service provider employs over 100 staff over multiple locations. The Council's Procurement team have recently undertaken a review of all of the Council's major contracts to determine which contracts could potentially be insourced. The Revenues & Benefits service was not considered suitable as the Council does not have the required staff, IT, or accommodation and therefore any insourcing would be difficult to replicate, expensive and very high risk.

- To undertake a new tendering exercise

It is considered very doubtful that another managed service provider could match the current contractor's proposed reduced contract price due to the significant set-up costs involved in the implementation and transition of a service of this size and complexity.

7. Legal Implications

7.1 The option to extend the contract is contained within the existing contract terms. If agreed, the extension will be formalised through a variation notice upon giving the contractor 6 months' notice as per the requirements under the contract.

7.2 The Public Contract Regulations 2015 (PCR) under regulation 72 (1)(a) permits variations to a contract where the variation is clear, precise, and unequivocal and it does not alter the overall nature of the contract. The recommendation complies with the PCR and the Council's Procurement Code.

7.3 Legal will be consulted to assist in drafting the variation notice.

7.4 The proposed extension period is a contractual option within the existing contract and under the Council's Constitution (Terms of Reference) Cabinet Member approval is not a mandatory requirement. However due to the importance of the services involved, it has been determined that Cabinet Member approval will be sought.

7.5 There are no other legal implications.

8. Outstanding Issues

8.1 There are no outstanding issues.


If you have any queries about this report or wish to inspect any of the background papers please contact: Martin Hinckley, on 07816 215828 or via email to

mhinckley@westminster.gov.uk

For completion by the **Cabinet Member for Finance and Council Reform**

Declaration of Interest

I have no interest to declare in respect of this report.

Signed:  Date: 07 November 2023

NAME: _____

State nature of interest if any
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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled.
Utilisation of existing contractual extension option for the Revenues & Benefits Service

Signed .....

Cabinet Member for Finance and Council Reform

Date ...07 November 2023.....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Head of Legal & Democratic Services, Chief Operating Officer and, if there are resources implications, the Director of Human Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.