

5Cs Joint Committee

Report of the Client Relationship Director

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To: The 5Cs Joint Committee

DATE: 1 December 2021

Contract Budget, 22/23

Recommendation(s)

(a) To endorse the tabled draft contract budget, for presentation to Authorities for the purposes of budget setting. This agreement to note all caveats tabled.

Purpose of Report

1. Under the 5Cs Inter Authority agreement, the terms of reference of the Joint Committee require it to propose a draft annual budget before 30 November for the following financial year, to include the contribution required from each Partner Authority.
2. In accordance with these terms, this paper now sets out the contract budget for 2022/23. By agreement of the Committee, this to be done at the meeting of 1st December 2021.

Background

3. In line with precedent, the budget proposed for 2022/23 constitutes two parts:
 - I. Contract Budget – for contracted Capita services and related costs.
 - II. Client Budget – for the shared client team arrangements.
4. The Client budget remains broadly as presented to the meeting of the Members of the Committee on 6 October 2021. Two minor changes have been applied, further to discussions with Authority representatives:
 - Inclusion of programme management resource to manage key IT changes, vital to strategic plans for Authorities.
 - Minor amendments to the % pay increase for staff, to align with Authority assumptions.

This moves the proposed budget from **£666,156** and tabled 6 October, to **£694,263**. This is deemed as a prudent response to emerging pressures in the IT space.

5. The contract budget is derived from financial modelling within the contract, and formal contract pricing. Elements applied since the last budget was agreed include:
 - Changes to NI thresholds applicable from April 2021
 - Indexation, with an approved estimate of 4% from for the next financial year
 - Volumetric changes
 - Reductions in server pricing

In addition, from Dec 2021, **£301,415** payable monthly for financing ceases, resulting in a reduction of **£904,246** in this budget round, and **£3.6 Million** per year, going forward.

6. There are some clear caveats, in regard to matters in train. These are as follows:
 - The budget does not include as yet unagreed costings for the separation of Office 365 tenancies. A rough order of magnitude cost is being sought, but the final case will have to be considered directly through council budget setting processes.
 - It will also not include any unagreed change controls pertinent to IT arrangements for Hart District Council and Mendip District Council. Work here is not yet in a state where pricing can be established.
 - It does not include work on the transfer of certain Land Charges elements to HM Land Registry. This will be managed via change control and will be covered by New Burdens.
 - It does not include any other, currently unforeseen, change controls.

All matters not determined at this juncture will be subject to all appropriate governance.

7. In addition to overall contract pricing, apportionment between Authorities is a consideration. These apportionments are subject to review from time to time. One such review is currently underway, which is looking at the “truing up” of costs and the smoothing of savings across the lifetime of the contract. The truing up is about making adjustments to the baseline percentages in order to reflect contract changes, so that the smoothing over the whole life continues to be correct. This review was triggered by the s151s, as per the provisions to do so within the Inter Authority Agreement. Pending that review, the proposal here is based on the last formally agreed proportions as tabled at the Joint Committee, 9th December 2020.
8. This requirement to review the ongoing balance of payments across the partnership is standing proviso regarding any budget endorsed; any apportionments are always indicative pending s151 review.

Proposal

9. The full proposed budget is as follows:

Contract budget, 2022/23: £14,192,509

Client Budget, 2022/23: £694,263

Total Provision, 2022/23: £14,886,772

The Client Team budget is predicated on the structure noted in Appendix A.

10. Based on current agreed cost apportionments, the split is as below:

Authority	Split	Client Budget	Contract Costs	Total
		£694,263	£14,192,509	£14,886,772
Hart	10.96%	£76,091	£1,555,499	£1,631,590
Havant	32.91%	£228,482	£4,670,755	£4,899,237
Mendip	22.43%	£155,723	£3,183,380	£3,339,103
South Oxfordshire	17.56%	£121,913	£2,492,205	£2,614,117
Vale of White Horse	16.14%	£112,054	£2,290,671	£2,402,725

11. As noted, this is indicative, pending review of apportionments and Schedule 4 of the IAA. This is as been the case for previous contract budgets endorsed.

Climate and ecological impact implications

12. No specific impacts. However, it should be noted that a considerable reduction in business miles travelled is a key assumption underpinning this proposed budget. This will reduce associated carbon emissions.

Financial Implications

13. This proposal is needed to allow Councils to make necessary provisions within their budget setting processes. As has always been the case, costs in year can vary, particularly as a consequence of changing requirements amongst partner authorities. This proposal is as firm an assessment of the contract pricing and apportionment as is currently available, noting all caveats and provisos tabled.

Legal Implications

14. There are no direct legal implications arising from this report.

Risks

15. There are two points to note, here:

- The ongoing volatility of the contract charges, arising due to Authority requirements and the Capita's response to them. This is mitigated, on an ongoing basis, via formal governance processes, both within 5Cs arrangements as laid out in the IAA, and within each partner Authority.
- The fact, as relayed previously, that the Client Team has only limited current provision for managing significant contract change and that provision, as discussed, is primarily focussed on planned initiatives within IT.

Other Implications

16. There are no direct equalities implications arising from this report.

Conclusion

17. The following recommendations are tabled to the Committee:

- (a) To endorse the tabled draft contract budget, for presentation to Authorities for the purposes of budget setting. This agreement to note all caveats tabled.

Background Papers

- None supplied.

Appendix A: Proposed Client Team Structure, 2022/23

