

Cabinet Report



Report of Head of Partnerships

Author: Susan Harbour

Telephone: 07717 346920

E-mail: susan.harbour@southandvale.gov.uk

Wards affected: All

Cabinet member responsible: Neil Fawcett

E-mail: neil.fawcett@whitehorsedc.gov.uk

To: CABINET

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Five Councils' Partnership Governance and Truing Up

Recommendations

- a) That Cabinet notes and endorses the minor alteration to the proportion of the size of Vale's contribution to the 5 Councils contract and agrees the approach to the truing up mechanisms.
- b) That Cabinet approves the streamlined governance approach, reflective of the current reduced size of the contract, to enable effective oversight and management of the contract which includes all the changes set out in paragraph 22; including the annual meeting of the Joint Committee, providing budgetary and contractual oversight, and continuing the spirit of partnership working, whilst keeping members informed of contract performance.
- c) That Cabinet delegates to the Chief Executive, in consultation with the portfolio holder for partnerships, to finalise the terms on behalf of Vale of White Horse District Council and to enter into, and complete, the updated IAA based on the principles set out in this paper.

Purpose of Report

1. This paper seeks to outline the current position regarding the 5 Councils contract, specifically covering governance and the financial position.

Corporate Objectives

2. Openness and accountability

3. Improved economic wellbeing

Background

4. Vale of White Horse and South Oxfordshire district councils, alongside 3 other councils (Hart, Havant, and Mendip) entered into a services contract with Capita in 2016.
5. The governance structure embedded in the Capita contract and the Inter-Authority Agreement (IAA) between the authorities reflected the original scope of the contract and provided for a potential future expansion of the contract encompassing other authorities and services. It also provided for "Lot 2" services to be delivered by Vinci.
6. The Vinci contract was terminated in 2018 and the Capita contract has reduced in size and scope since its inception. The contract now consists of revenues and benefits, land charges and IT for all authorities, and customer services for some of the authorities.
7. Following agreement on these changes:
8. In 2021, the S151 officers from all authorities agreed to externally commission a forensic analysis of the changes to the contract and the impact on the financial position: the report was produced early in the summer this year.
9. In 2022, the chief executives from each authority agreed to a review of the contract governance, with a view to streamlining it while ensuring it remained fit for purpose.

Financial truing up

10. Since the inception of the 5 Councils' contract, there have been substantial changes in the contract and the relative impacts on the respective authorities. This includes the removal of licensing, HR and payroll, finance services and procurement.
11. The Inter Authority Agreement (IAA) details that each council is obliged to pay for services it receives, and would need to reflect any payment changes, whether changes are made collectively or individually. An authority is not expected to pay for decisions taken by another authority.
12. Following the termination of a significant number of services in the contract, the S151 Officers agreed to commission an external forensic analysis of all the changes in the contract and the impact on the contract both collectively and to the individual councils.
13. The final report was considered by the S151 Officers in July 2022, who recommended acceptance of the findings to the Strategic Management Board.
14. The outcome of this report showed that the baseline percentage that Vale of White Horse District Council should now pay is 16.21% (down from the original baseline of 17.12%). As this baseline relates to the changes which occurred in 2020/2021, there is a need for a truing up payment to Vale from Mendip, Hart, and Havant.
15. In September 2022, the S151 Officers agreed that Vale would receive the following sums below. These are not new monies, but a reprofiling of amounts due, as Vale (and also South) carried a greater share of the financial burden during the first year of the contract.

01 October	01 April 2023	01 April 2024	Total
£689,024.92	£344.512.46	£344.512.46	£1,378,049.84

16. As part of agreeing to the truing up payments and the revised baselines, the S151 officers requested that consideration be given to freezing baseline figures. The financial impacts of future changes will be agreed by the S151 Officers on an *ad hoc* basis, ensuring that further truing up exercises are no longer required.
17. The below shows the percentage allocations of these costs over the remainder of the contract for Vale. For simplicity, it is proposed that all future model charges will be recharged based on the figures in the total column:

Council	2022/23	2023/24	2024/25	2025/26	Total
Vale	15.46%	15.27%	15.266%	15.27%	15.33%

Governance

18. The governance of the 5 Councils contract has evolved over time. It was originally created with both Lot 1 (Capita) and Lot 2 (Vinci) in mind.
19. The Vinci contract was terminated in 2018 and the Capita contract has been reduced in size and scope since 2016.
20. Following a request from the chief executives, a review of the governance was undertaken and recommendations made to streamline the contract management. **Appendix 1** sets out the current governance and **Appendix 2** sets out the proposed governance.
21. The proposed governance structure has been agreed by the chief executives, the monitoring officers, and the councils' Joint Tactical Board (JTB) representatives. It has also been shared with the Capita contract leads who are supportive of the changes.
22. The recommendations are:
- Joint Committee (made up of 2 lead members from each of the councils) to meet annually, reduced from quarterly currently. The Committee, whilst not being a formal decision-making body, provides budgetary oversight and continues the spirit of partnership working whilst keeping members informed on the contract.
 - Strategic Management Board (SMB) to meet annually or as required during the year. The process for obtaining SMB approval on important strategic matters that cannot wait until the annual meeting to be fully set out in a redrafted IAA.
 - JTB and Operational Management Board (OMB) to meet quarterly, with virtual sign off on change controls as required in between meetings. The mechanism to agree matters in between meetings to be set out in a redrafted IAA.

- Service Improvement Group (SIG) to continue to meet monthly, with the option to include the land charges service group in the monthly meetings as the HMLR project moves into its main delivery phase.
 - IT Strategy Board and IT Operational Board meetings to continue without change.
23. Subject to approval by the respective authorities, a project will commence to fully redraft the IAA. This will capture all governance changes and will also incorporate a number of other key changes that are arising over the coming months. These are, most notably:
24. Subject to approval, the agreement between the S151 officers on revised apportionment figures following the conclusion of the truing up exercise.
25. The ongoing arrangements regarding the Zellis payroll bureau and software contract, and
26. East Hants District Council (EHDC) may continue to access the contract via their relationship with Havant District Council and are not directly party to these governance arrangements.
27. The 5 Councils have previously appointed Hartley Law as external legal advisers to work with the authorities' Monitoring Officers, in drafting deeds of variation, change control notices and earlier iterations of the IAA. They will be instructed to lead on this redrafting of the IAA to incorporate all changes listed above.

Options

- This paper recognises the current realities of the contract. The alternative would be to not make these changes which would lead to:
 - Unnecessary time spent on governance which was unneeded
 - A worse financial position for Vale
 - Likely disagreement with the other parties to the contract, especially South Oxfordshire District Council.

Climate and ecological impact implications

28. There are only marginal climate and ecological implications in that less governance would lead to fewer road trips and particularly to less data streaming.

Financial Implications

29. The Council's s151 officer has already agreed these changes through the s151 officers group of the Five Council's partnership. There are no negative financial implications

Legal Implications

30. This paper was written in consultation with the council's legal services manager and there are no known negative legal implications

Risks

31. None known

Other implications

32. None known

Conclusion

33. This review will streamline the governance of the Capita contract to enable authorities to make best use of their staff resources whilst still providing effective oversight and management of the contract.

34. The adjustment to the baseline percentages ensures that all authorities can better manage the financial implications of the contract.

Background Papers

None