



AGENDA ITEM: 13
SUMMARY

Report for:	Cabinet
Date of meeting:	23 July 2013
PART:	1
If Part II, reason:	

Title of report:	Customer Service Unit Drawdown from Reserves
Contact:	Councillor Brian Ayling, Cabinet Support Member Councillor Nick Tiley, Portfolio Holder for Finance & Resources Author/Responsible Officer: Shane Flynn, Assistant Director (Performance and Projects)
Purpose of report:	To request drawdown from earmarked reserves to meet initial and part year costs of the transfer of the Customers Services Unit to Northgate.
Recommendations	1 That Cabinet recommends to Council the release of £613,858 from the appropriate reserve to cover the set up and part year costs of the transfer of the Customer Service Unit to Northgate. 2. That Cabinet recommends to Council to amend the capital programme to include capital costs of £363,154 for systems implementation and related development costs agreed to be incurred on the Effective Date of the contract.
Corporate objectives:	Dacorum Delivers: Maximising the Value of Council Assets, Value for Money.
Implications:	<u>Financial</u> The financial implications are set out in the report.
'Value For Money Implications'	<u>Value for Money</u> Value for money was tested through a detailed procurement exercise which demonstrated that the Northgate proposal will

	bring significant improvements and reduce costs to the council over the lifetime of the contract.
Risk Implications	<p>A detailed risk register has been compiled for the project which was last reviewed in June 2013.</p> <p>The implications of not providing the funding is that the contract could not be implemented and the Council would be in default. The contractor would be entitled to seek recovery of costs incurred to date and may seek additional financial compensation for loss of business.</p>
Equalities Implications	There are no equalities implications in respect of this report.
Health And Safety Implications	There are no health and safety implications of this report.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>No further comments to add to the report.</p> <p>Deputy S.151 Officer</p> <p>The drawdown from reserves requested in the recommendations of this report is consistent with the contractual agreement between the Council and Northgate that was recommended to Council by Cabinet in March 2013. It covers the one-off costs over and above the amount already approved in the budget for the provision of the CSU, which will be vired to the appropriate code.</p> <p>The drawdown also includes:</p> <ul style="list-style-type: none"> • £50k relating to year-to-date overspend within CSU following a budgetary commitment to deliver £140k savings within the first six months of the year which has not been achieved; • £50k relating to V4 consultancy costs in support of the contract implementation and early stages, post-commencement; • £16k for the current year costs associated with the creation of the permanent post of Commercial Contract Manager (approved by Cabinet in March 2013), the full-year cost of which will be included as budget growth in the 2014/15 budget cycle. <p>The balance on the Management of Change reserve is sufficient to fund the revenue element of the recommendation, leaving a closing balance for 2013/14 of £662m. The balance on the Technology reserve is sufficient to fund the capital</p>

	<p>element of the recommendation, leaving a closing balance of £387k.</p> <p>The Council is contractually bound to meet the costs of any redundancy costs for CSU staff incurred by Northgate within the first 12 months of the contract. These are likely to arise in financial year 2014/15 and will be funded from the Redundancy reserve, which currently has a balance of £1.125m, none of which is currently committed.</p>
Consultees:	
Background papers:	<p>Cabinet report of 26 March 2013 (Part 2)</p> <p>Cabinet Report of 25 June 2013 (Part 2)</p>
Glossary of acronyms and any other abbreviations used in this report:	

1. BACKGROUND

- 1.1. The objective of the Shared and Outsourced Services project, agreed at the Cabinet meeting in May 2011, was to explore shared service options for a number of Council services, including a 'strategic partnering' approach for Customer Services.
- 1.2. The approved procurement process resulted in the Customer Service Centre and Gateway Invitation to Tender (ITT) being released to the market on 30th October 2012 and the contract subsequently being awarded to Northgate Information Solutions Ltd.
- 1.3. On 25 June 2013, Cabinet approved delegated authority to bring forward the forward the contract signature date (the Effective Date) and Operational Service Commencement Date subject to completion of agreed tasks. The first stage has been completed and the contract has been signed.
- 1.4. As part of the bidder's proposal a schedule of estimated costs was provided including payments that are to be met at the Effective Date to support mobilisation and costs to be incurred in the first year of operations. These costs were reviewed as part of the procurement process and subsequently agreed by finance officers as payable on the agreed dates.
- 1.5. Cabinet approved the process of budget revision in the report of 26 March (paragraph 5.13). Some of the costs will be met from the existing 2013/14 budget for the CSU and some will need to be allocated from an appropriate reserve.
- 1.6. In addition, Cabinet approved the appointment of a contract manager to oversee the mobilisation phase and to manage the contract subsequently. The appointment has not been made but an interim resource has been in place since June 2013 to cover the completion of the contract negotiation

and mobilisation period. The post was not allowed for in the original budget for 2013/14 and a draw down is therefore required to cover the costs.

1.7. A detailed breakdown of the costs required in comparison with the original budget for 2013/14 is given in Annex A. This shows that the revenue and capital requirements are as follows:

1.8. Revenue: £613,858

1.9. Capital: £363,154

2. Recommendations

2.1. That Cabinet recommends to Council the release of £613,858 from the appropriate reserve to cover the set up and part year costs of the transfer of the Customer Service Unit to Northgate.

2.2. That Cabinet recommends to Council to amend the capital programme to include capital costs of £363,154 for systems implementation and related development costs agreed to be incurred on the Effective Date of the contract.

ANNEX A

Supplementary Estimate Required to fund the costs of CSCG Transfer to Northgate on 5th August 2013					
Description	Budget	Notes	Forecast Out-turn	Notes	Variance
CSU (Employees Cost)	£944,826	Full year budget for in house CSU	£362,717	April to July 13 CSU in house	(£582,109)
CSU (Supplies & Services)	£0		£777,333	Northgate operational costs (£1,166k over a full year; £777k Aug 13 to Mar 14)	£777,333
CSU (Supplies & Services)	£0		£387,143	Northgate revenue costs of mobilisation and projects	£387,143
Budget for GM Partnerships & Citizen Insight	£70,000	Full year budget	£22,491	Cost for April to July 13	(£47,509)
CSCG Project Manager	£0		£13,000	CSCG Project Manager	£13,000
CSCG Contract Management	£0		£66,000	Commercial Contract Management	£66,000
Totals	£1,014,826		£1,628,684		£613,858
				Supplementary Estimate Required: Revenue	£613,858
				Supplementary Estimate Required: Capital	£363,154