

CABINET

DATE OF MEETING: 1 SEPTEMBER 2022

TITLE OF REPORT: UPDATE ON THE 5 COUNCILS CONTRACT

Report of: Joint Chief Executive

Cabinet Portfolio: Corporate

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

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

RECOMMENDATION

2. That Cabinet notes and endorses the minor alteration to the proportion of the size of the Hart contribution to the 5 Councils contract and agrees the approach to the 'truing up' mechanisms, making payment as set out in paragraph 15 and 16
3. That Cabinet approves the streamlined governance approach, reflective of the size of the contract, to enable effective oversight and management which includes all the changes as set out in paragraph including Joint Committee to meet annually, providing budgetary and contractual oversight and continuing the spirit of partnership working, whilst keeping Members informed on the contract.
4. That Cabinet delegates to the Joint Chief Executive in consultation with the Portfolio Holder for Commercialisation and Corporate Services, to complete the updated Inter Authority Agreement based on the principles set out in this paper.
5. That Cabinet confirms Cllr Quartermann and Cllr Radley as replacement representatives to the 5 Councils Joint Committee

BACKGROUND

6. Hart District Council, alongside four other Councils (Mendip, Havant, South Oxfordshire and Vale of the White Horse) entered into a contract with Capita in 2017.
7. The governance structure embedded in the Capita contract and the 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 the "lot 2 services" to be delivered by Vinci.
8. The Vinci contract was terminated back in 2018 and the Capita contract has reduced in size and scope since its inception in 2016. The contract now consists of Revenues & Benefits, Land Charges and IT for all authorities, and Customer Services for just a few of the authorities.
9. With this in mind
 - a. In 2021 the S151's from each authority agreed to externally commission a forensic analysis of the changes that had occurred to the contract and the impact on the

financial position. The final outcome of which was produced in early summer this year

- b. In 2022, the Chief Executives from each authority agreed to a review of the governance overseeing the contract to ensure that 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. Most notably for Hart, this has included the removal of the HR and Payroll Services, as well as the Finance Services.
11. The Inter Authority Agreement between authorities makes clear that each Council is obligated to pay for the services it receives and would need to reflect in any payment changes, any contract changes made collectively or individually. An important principle was that one authority should not be expected to pay for decisions taken by another authority.
12. Joint Committee considers the budget at its meeting each December. In December 2020, the Joint Committee agreed a change in baseline proportion of payment for the contract from 10.58% to 10.96% for Hart District Council and this was reflected in the budget for the following year.
13. With the larger changes in the contract since that time, the S151's agreed to commission an external forensic analysis of all the changes in the contract, and the impact on the contract both collectively and as individual councils.
14. Hart District Council, on behalf of the 5 Councils then commissioned RSM, the final report was considered by the S151's in July 2022, who then recommended acceptance of the findings to Strategic Management Board, including the Chief Executives of each authority.
15. The outcome of this forensic analysis is that the baseline percentage that Hart District Council should now pay is 11.01%. As this baseline relates to changes which occurred in 2020/2021, there is a need for a 'truing up' payment of £413,406. Full details of the baseline and payments to be made to Councils are shown below

| Truing up payments to be made | | New Baseline |
|-------------------------------|--------------|------------------------------|
| Mendip | £933,293 | 22.33% |
| Hart | £413,406 | 11.01% |
| Havant | £917, 552 | 22.66% +6.15% for East Hants |
| Vale | (£1,378,050) | 16.21% |
| South | (£886,202) | 17.64% |

16. Costs associated with the truing up had been anticipated at the point when the Budget was agreed by Council in February 2022 and a figure of £400K was included as a provision. We are in discussions with South Oxfordshire, to make payment of the outstanding sum, via a payment plan, subject to agreement by Cabinet this evening.

GOVERNANCE

17. The governance of the 5 Councils contract has evolved over time. It was originally created for the purposes of both Lot 1 (Capita) and Lot 2 (Vinci) in mind.
18. As highlighted previously, the Vinci contract was terminated back in 2018 and the Capita contract has reduced in size and scope since its inception in 2016. Most notably, HR and payroll as well as Financial Services have recently been removed from the contract.
19. 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.
20. The proposed governance has been considered and agreed to be brought forward for the respective Councils to consider by the Chief Executive's and the Monitoring Officers
21. In summary the recommendations are
 - a. Joint Committee to meet annually, down from quarterly currently to continue to provide budgetary and contract oversight and continues the spirit of partnership working whilst keeping Members informed on the contract.
 - b. Strategic Management Board to meet annually or as required during the year, . The process for obtaining Strategic Management Board approval on important strategic matters or agreeing new proposals that cannot wait until the annual meeting will be fully set out in a redrafted IAA.
 - c. Joint Tactical Board and Operational Management Board to meet quarterly, with virtual sign off on change controls as required in between meetings. The mechanism to agree matters in between meetings will also need to be set out in a redrafted IAA
 - d. Service Improvement Group to continue to meet monthly, with the option to also include Five Councils Land Charges in the monthly meetings as the HMLR project moves into its main delivery phase.
 - e. IT Strategy Board and IT Operational Board meetings to continue without change
 - f. Lastly, all the above changes to be incorporated into a redrafted IAA. This will also capture the Section151 officers truing up agreement, the ongoing arrangements regarding the Zellis payroll bureau and software contract and how we accommodate Somerset Council and East Hants generally within the contract or otherwise moving forward.
22. Subject to approval by the respective authorities, a project will commence to fully redraft the current iteration of 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. This includes;

- a. subject to approval, the agreement on the revised apportionment figures following the conclusion of the 'Truing Up' exercise,
 - b. the ongoing arrangements regarding the Zellis payroll bureau and
 - c. software contract and the accommodation of EHDC within partnership governance in light of the separation occurring between them and Havant.
- 23. As part of the redrafting, consideration will need to be given as to how Somerset Council (the successor of Mendip District Council) will be represented from vesting day in April 2023, as well as representation from East Hampshire following their separation from Havant Borough Council.
- 24. An External Solicitor well versed in the Capita Contract will lead on the redrafting of the IAA to incorporate the changes listed above.

REPRESENTATION BY HART AT THE JOINT COMMITTEE

- 25. Due to a misunderstanding regarding the roles, at the Annual General Meeting, two Members of Overview and Scrutiny were appointed to the 5 Councils Joint Committee
- 26. Reflecting the updated governance structure proposed within this report, it is further suggested that Cllr Richard Quarterman, Portfolio Holder for Commercialisation and Corporate Services and Cllr James Radley, Deputy Leader and Portfolio Holder for Finance, are formally appointed to represent Hart District Council at the 5 Councils Joint Committee.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 27. The Councils could continue with the existing governance, but this is no longer suitable for the size of the contract.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

Service Plan

- Is the proposal identified in the Service Plan? No
- Is the proposal being funded from current budgets? Yes
- Have staffing resources already been identified and set aside for this proposal?
Yes

Legal and Constitutional Issues

- 28. In accordance with Harts Constitution, Cabinet has the authority to approve the recommendations of this report.

Financial and Resource Implications

29. This report recommends that a payment of £413,406 is via a payment plan to be agreed with South Oxfordshire Council. It further reflects a minor alteration in the baseline for the contract from 10.96% to 11.01%
30. The costs associated with the contract changes were envisaged and £400K included within the budget set by Members in February 2022. .

Risk Management

31. A project risk register is managed and monitored for the 5 Councils contract as part of the IAA oversight provisions. The change to governance has not been identified as a significant risk.

EQUALITIES

32. No equalities issues arise as a result of this report.

CLIMATE CHANGE IMPLICATIONS

33. No climate change implications issues arise as a result of this report.

ACTION

34. Subject to approval of the recommendations of this report,
 - a. the External Solicitor will begin work to amend the Inter Authority Agreement.
 - b. Once amended this will be passed back to the Authorities to consider and approve
 - c. A payment plan will be agreement and implemented to enable the payment of the outstanding truing up figure
 - d. Details of the Member representatives will be provided to the 'host' authority for the 5 Councils Joint Committee.

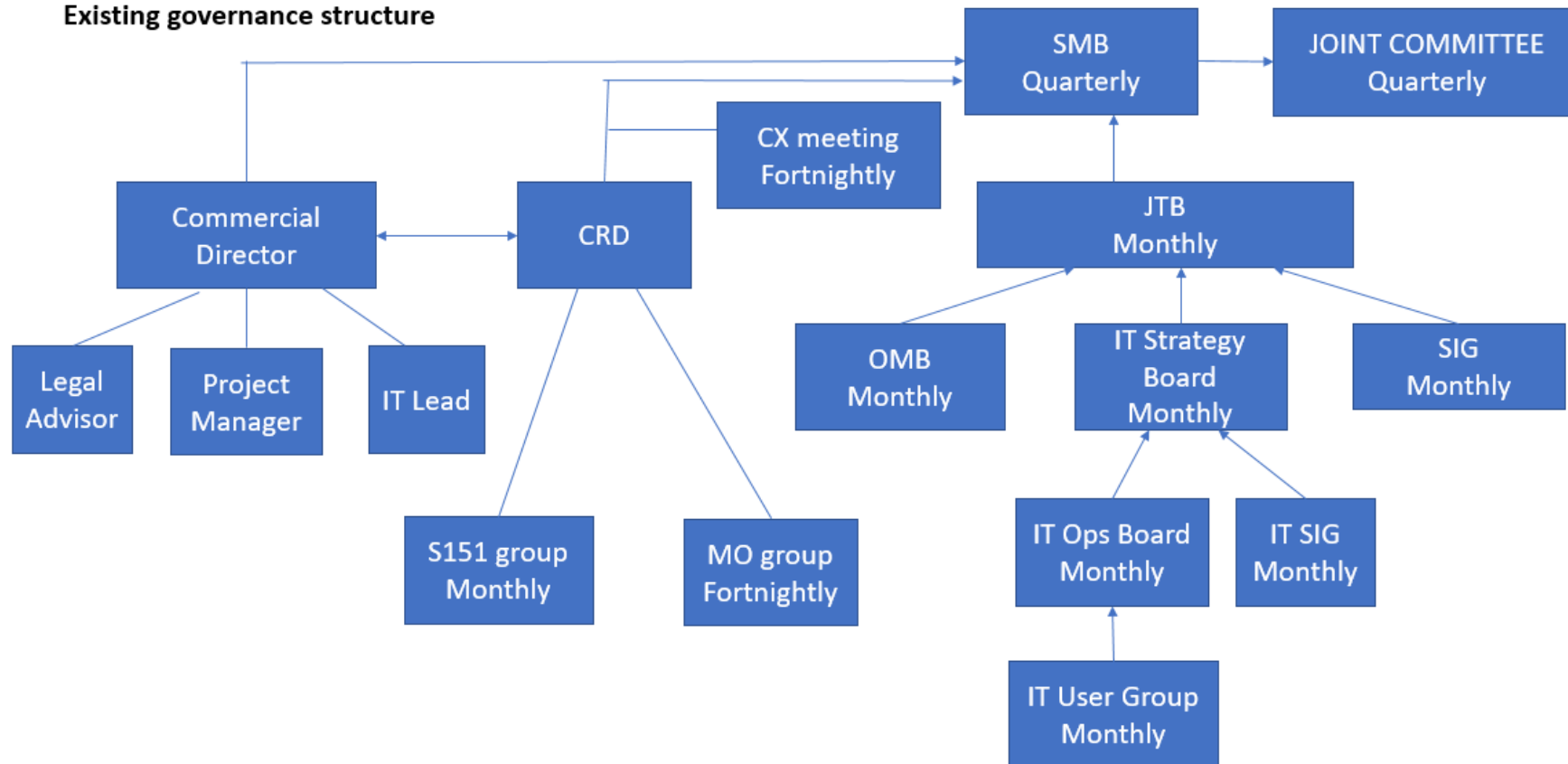
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Appendix 1 – Governance structure at present

Appendix 2 – Governance structure as proposed

Appendix 1

Existing governance structure



Appendix 2

Proposed governance structure

