

CABINET
11 July 2019**RECOMMISSIONING THE COUNCIL'S CUSTOMER SERVICES**

Relevant Cabinet Member

Mrs K May

Relevant Chief Officer

Director of Commercial and Commissioning

Recommendation

- 1. The Cabinet Member with Responsibility for Transformation and Commissioning recommends that Cabinet:**
 - a) approves serving of the required 12 months' notice for termination 'by convenience' of the Council's contract with Civica Ltd for the provision of the Customer Service Contact Centre;**
 - b) delegates to the Director of Commercial and Commissioning, in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning, the authority to approve the terms of exit from this contract; and**
 - c) delegates to the Director of Commercial and Commissioning, in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning, the development of an updated Customer Services Strategy and the recommissioning of Customer Services, to support the objectives of the Council's Organisational Redesign Programme.**

Background

- 2. The joint Customer Service Contact Centres for Worcestershire County Council, Malvern Hills District Council and Worcester City Council, collectively known as the "Worcestershire Hub Shared Service" (WHSS), was commissioned to Civica in May 2015 on an 8.5 year contract, implementing the Cabinet decision of 20 November 2014.**
- 3. The service is provided across several channels; telephony, face to face, webchat, switchboard and is supported by a fulfilment team who process applications for service such as Blue Badge requests, National Travel Passes and Commercial Vehicle & Trailer Permits for Household Waste Sites.**
- 4. The service is currently delivered by 16 telephony staff, eight face to face staff and four members of staff on the fulfilment team. In addition to this there are two**

team leaders responsible for these teams and there is one further management post above this level.

5. Following the exit of MHDC from the contract on 28 February 2019 the annual contract price is now split between the two remaining partner organisations. The current total annual contract price is £1.044m with Worcestershire County Council contributing £716k per annum.

6. When the service was commissioned, the annual volume for telephony contact for all partners totalled 264,936 calls. The 2018/19 annual volume for telephony contact for all partners was 127,563, representing a 52% reduction as a result of the partners' drive to shift contact online. Reductions have also been achieved in face to face contact with a reduction of 32%.

The Original Case for Commissioning

7. At the time the contract commenced, each partner authority was responding to challenging savings targets. At this time the number of customers accessing the internet or other mechanisms of self-service was increasing and it had not been possible to align this closely to the pace of staffing reductions that were needed to meet the level of savings required. This had a negative impact on the then WHSS's capacity to balance transaction cost and service level, making the service increasingly inefficient and less responsive, leading to the move to Civica.

8. In 2014 the technology platform for WHSS was primarily based on a CISCO platform with several "add-ons" to enhance the contact centre operation. The CISCO platform was at the end of its life, and the entire telephony infrastructure was expensive to maintain. Contracting with Civica resolved this situation by enabling us to join a new telephony system.

9. Entering into a commercial arrangement with Civica secured further benefits across several areas including financial, quality and resilience and innovation. In addition, Civica fully supported the County Council's ambition to become a "Digital Council" by offering customers a more efficient and accessible set of services on-line, which supported and enhanced the digital strategy.

10. The purpose of the commissioning activity was to appoint an organisation which could deliver a highly professional, flexible and dynamic service with greater operational resilience, increased capacity and delivered at a lower price point than the existing level through increased efficiencies.

11. The Civica proposal offered the participating authorities of the WHSS the following benefits:

- a) A minimum saving of over £1.8m and a maximum of over £2.6m against a recommended 8.5 year term (minimum and maximum savings dependant on the volume reduction of telephony contact);
 - b) A fixed price guaranteed savings structure for an 8.5 year term at a set level;
 - c) The flexibility to move to a cost per contact charging model following review points in year 1 and 2 to allow future savings to take account of progress
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made by the Councils in achieving further channel shift and reduction in assisted contact.

Changes Since Placing the Contract with Civica

12. The volume reduction that has been achieved through channel shift and other activities has been significantly higher than was originally anticipated. The three partner councils have achieved approximately a 52% reduction in volumes compared to the original baseline. As a result, Civica have had a greater reduction in staff numbers than was forecast and are currently operating the service with approximately 31 FTEs. The original TUPE list included 43.8 FTEs across the whole service.

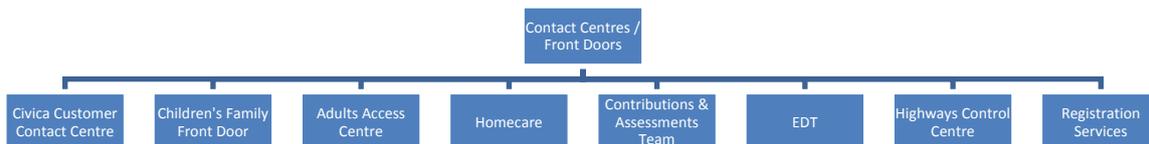
13. In February 2018 Malvern Hills District Council served notice to Civica and exited from the contract in February 2019. Worcester City Council have also agreed at a recent Policy & Resource Committee meeting to serve Civica with their required 12 months' notice to withdraw from the contract. With the exit of Malvern Hills District Council and pending future exit of Worcester City Council it is an appropriate time to review the County Council's own position regarding the contract with Civica and whether it still represents value for money for the County Council, specifically as the original business case was based on it being a multi-council shared service.

14. The current fixed price contract is £1.044m per annum for the remaining two partners (the County Council and Worcester City). The County Council's contribution is £716k per annum. Following Worcester City's decision to serve notice and exit the contract Civica are required under the terms of the contract to provide the County Council with an updated charging model for the remaining term of the contract.

15. The technology landscape within the County Council has evolved since the service was commissioned. Expensive legacy systems have been decommissioned and replaced with modern and more cost-effective systems. As a result, the County Council already has the required systems to run the contact centre in house.

Other Contact Centres within the Council

16. As shown in the diagram below the council currently has several other externally facing contact centres in addition to the Customer Services Contact Centre provided by Civica.



17. These additional contact centres are provided directly by specific service areas to handle telephony and self-service contact from citizens and professionals that is not currently routed through the main Customer Services Contact Centre.

18. There are two main reasons why this contact is handled directly by the service area:

- a) the service was not within the original scope of the contract when it was commissioned to Civica.
- b) the contact types are complex in nature and are required to be handled by a service area subject matter expert.

19. Due to the positive outcomes of our channel shift activities over the past 3 years there has been a significant drop in the volume of low complexity calls to all contact centres across the Council. This has resulted in some service areas taking back responsibility from the Civica Customer Contact Centre for handling the residual volumes of high complexity calls.

Recommendation

20. Having undertaken a full analysis of the current contract, our existing service delivery model and the potential changes as a result of the Organisational Redesign the recommendation is to recommission the Council's Customer Services To achieve this the following stages would be required:

- Stage 1: Give Civica 12 months' notice of cancellation for convenience to avoid loss of profit compensation and breakage/stranded cost and to start the clock ticking so not to delay the implementation of the commissioning cycle.
- Stage 2: Negotiate the transformation cost recovery payment required
- Stage 3: Create a new Customer Services Strategy that is aligned with the Organisational Redesign
- Stage 4: Follow the Council's Commissioning Cycle to recommission the service in line with the agreed Customer Services Strategy and Organisational Redesign objectives.

Legal, Financial and HR Implications

21. There is a one-off transformation cost recovery payment to Civica which would be due at the point of exiting the contract. Together with the one-off costs to recommission the service, costs of c£0.7m would need to be funded on termination through a combination of capital investment and by the savings generated from exiting the contract.

22. The payment of these transformation costs would be recovered through the recommissioning of the service at a lower price point. Our initial estimates indicate there would be an approximate 2-year payback period to recover these costs and to start generating a net saving.

23. Civica are not legally obliged to provide TUPE information until such a time that formal notice of terminating the contract is given, so it is not yet possible to confirm the exact number of posts that would TUPE.

Benefits of this Proposal

24. Recommissioning this service offers the Council more flexibility with the delivery of our customer services strategy and contact centre model.
25. The service would also be more responsive and adaptable to customers of the Council through the analysis of performance management dashboards that have been developed through the Digital Transformation Programme.

Transitioning and Transforming Customer Service Delivery

26. Recommissioning the services will give the Council increased flexibility and agility to transform our customer services delivery model in line with the Council's Organisational Redesign programme and against our emerging Digital and Customer Services Strategy.

27. A number of options and principles are outlined below that could be considered as part of our Digital and Customer Services Strategy and in the future transformation of our customer service delivery model:

- a) Adopting an approach to Customer demand management and customer contact to maximise self-reliance, signposting to information, advice, guidance and alternative service provision, combining all Council front doors / contact centres into one single contact centre in order to deliver a "One Council" approach to customer contact and increase the percentage of "one and done" contacts at the front door.
 - b) Do not change our existing approach to customer service delivery and retain the 8 independent customer services contact centre whilst maximising the opportunities of some or all the principles listed below.
 - c) Taking a proactive approach towards "Demand Management" and "Contact Avoidance" by reviewing all web page content, telephony scripts and "Interactive Voice Response" routing options to ensure customers are explicitly signposted to all relevant self-service channels as their primary point of contact.
 - d) Maximising the use of artificial intelligence and intelligent self-assessments for service eligibility checks before calls reach an advisor to ensure all customers are signposted and routed to the right contact channel for their circumstances including alternative service provision.
 - e) Maximising all digital contact channels included the use of video conferencing for undertaking remote initial assessments / triage stages, with a particular focus in the Adult social care sector.
 - f) Using subject matter experts (i.e. social workers, highways engineers, etc) at the front door to increase the percentage of "one and done" contacts to reduce demand and cost on 2nd and 3rd line services in the Council.
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- g) Providing the contact centre with the required resources, information, data and access to systems to reduce demand and costs on 2nd line and 3rd line services in the Council
- h) Physically co-locating into one central hub to enhance knowledge sharing and upskilling of staff.
- i) Consolidating telephony technologies to reduce costs.

Equality and Diversity Implications

28. An Equality Impact Assessment has been carried out which did not identify any significant equality impact issues at this stage. Further equality impact screening and analysis will be required in respect of implementing any service provision changes as a result of the recommissioning activity.

Contact Points

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Specific Contact Points for this report
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Background Papers

In the opinion of the proper officer (in this case the Director of Commercial and Commissioning) the following are the background papers relating to the subject matter of this report:

- Original 2014/15 Cabinet Decision Paper for Commissioning the Worcestershire Hub Shared Service
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