

Executive Board – 22 November 2022

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| Subject: | Revenues and Benefits Service |
| Corporate Director(s)/Director(s): | Clive Heaphy Corporate Director for Finance & Resources |
| Portfolio Holder(s): | Councillor Adele Williams Portfolio Holder for Finance |
| Report author and contact details: | Lucy Lee Director of Customer Services Lucy.lee@nottinghamcity.gov.uk |
| Other colleagues who have provided input: | Ian Edward Strategic Advisor on Companies |
| Subject to call-in: | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Key Decision: | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Criteria for Key Decision: | |
| (a) <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input checked="" type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision | |
| and/or | |
| (b) Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |
| Type of expenditure: <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: | |
| Total value of the decision: See Exempt Appendix 3 | |
| Wards affected: All | |
| Date of consultation with Portfolio Holder(s): | |
| Relevant Council Plan Key Outcome: | |
| Clean and Connected Communities | <input type="checkbox"/> |
| Keeping Nottingham Working | <input checked="" type="checkbox"/> |
| Carbon Neutral by 2028 | <input type="checkbox"/> |
| Safer Nottingham | <input type="checkbox"/> |
| Child-Friendly Nottingham | <input type="checkbox"/> |
| Healthy and Inclusive | <input type="checkbox"/> |
| Keeping Nottingham Moving | <input type="checkbox"/> |
| Improve the City Centre | <input type="checkbox"/> |
| Better Housing | <input type="checkbox"/> |
| Financial Stability | <input checked="" type="checkbox"/> |
| Serving People Well | <input checked="" type="checkbox"/> |
| Summary of issues (including benefits to citizens/service users): | |
| <p>In June 2021, Executive Board agreed a direct award of a contract to Nottingham Revenue and Benefits Ltd (NRB) from 1st November 2021 for a period of 17 months (End March 2023), with the option to extend for 12 months (End March 2024), and then a further extension option of 12 months (End March 2025).</p> <p>This approach enabled continued delivery of services by NRB and time to operate the company as a Teckal entity and explore the options for longer term use of that arrangement.</p> <p>The arrangement has been reviewed against a set of Strategic Principles for company ownership that have been developed with assistance from CIPFA.</p> <p>These include:</p> <ul style="list-style-type: none"> • Alignment with NCC’s priorities and values • Long term financial resilience • Justifiable financial and legal commitments | |

- Demonstration of Value for Money (including efficiency and opportunity to remove duplication with other NCC activities)
- Acceptable risk profile
- Organisational capacity to maintain oversight and controls

Following the Councils review it is recommended that the delivery of Revenue and Benefits Services return to Nottingham City Council at the end of the initial contracted period, 1 April 2023 and that the company is taken through a managed closure.

Exempt information:

Appendices 1, 4 and 5 of this report are exempt from publication under Paragraph 4 of Schedule 12A to the Local Government Act 1972 because it contains information relating to consultations and negotiations, and, having regard to all of the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information due to the adverse impact this could have on contractual and labour negotiations.

Appendix 2 of this report is exempt from publication under Paragraph 5 of Schedule 12A to the Local Government Act 1972 because it contains information that is subject to privileged legal professional advice and, having regard to all of the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it is subject to privileged legal professional advice that, if published, would prejudice the Council's ability to consider and manage the related issues effectively.

Appendix 3 of this report is exempt from publication under Paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)., and, having regard to all of the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information due to the adverse impact this could have on contractual negotiations.

Recommendation(s):

- 1** To approve a transfer of service undertakings from Nottingham Revenues and Benefits Ltd to the City Council on 1st April 2023, subject to the services being operated within the constraints of the Council's budgets and any legal requirements.
- 2** To delegate authority to the Chief Executive, in consultation with the Portfolio Holder for Finance, Chief Financial Officer and Head of Legal, to complete the financial, commercial and legal aspects of a service transfer to the Council on 1st April 2023
- 3** To note that, following the Transfer of Services, the Limited Company will be taken through a managed closure whilst solvent

1. Reasons for recommendations

The use of a wholly owned company to deliver Revenues and Benefits services is not a commonly found arrangement and the additional structures of operating a company can be simplified through transfer to an in house delivery model.

During the period in which the company has been operated as a Teckal arrangement the governance associated with managing and monitoring a contract between the Council and company has required significant resources but has not demonstrated any greater value than the governance associated

with an internal department. In addition, the need for a contractual arrangement has added a degree of inflexibility to the arrangement, which if removed will allow greater potential for achievement of efficiencies and changes to operational practices.

Integration into wider Customer and Business Support transformation programmes can be achieved through Service transfer. Resources are already in place to on-board NRB services into the transformation programme, providing an opportunity to achieve improved access to services for citizens.

The Council has recently set out its framework for companies' governance which required minimum standards of company board governance in line with recognised codes of practice. The company board currently has a number of key vacancies for directorships and in the near-term those standards will be challenging for the company to achieve in full. Investing in additional board directors will take time for both the Council and company, which could alternatively be used to pursue efficiencies and improvements under an in house arrangement.

It is anticipated that there is an opportunity for significant cost reduction when the services are brought into the wider Customer and Business Support transformation programme.

The transition is considered to be achievable in the time available, the current operating model relies on a number of key enabling services being delivered by the Council, such as payroll, accommodation, business systems, IT and telephony. Therefore, the platforms required to continue services as a Council department are largely in place.

2. Background (including outcomes of consultation)

See exempt Appendix 1

3. Other options considered in making recommendations

- I. To retain the separate legal entity, extend the contract between NCC and the Company for the provision of Services and support the company to invest in its governance, Board capability and controls framework. Having regard to the matters set out in the background section of this report this option is not considered suitable to achieve Best Value of the services to the Council or Citizens.
- II. Procurement of an alternative service provider through a market exercise; this option is not recommended due to the timeframes associated with such a process and the current challenges the Council has faced in collating robust data on the current service and the business interest of the company. This option is not precluded by a transfer to in house and could be considered at a later date.

4. Consideration of Risk

There are risks with any transition – these will be controlled by undertaking a project management approach to the transition and learning from recent transitions such as the transfer of Enviroenergy Ltd operations to the Council.

Audit & Risk colleague comments

No audit issues attached to this proposal

Shail Shah – Head of Audit & Risk – 24 October 2022

Finance colleague comments

See Exempt Appendix 3

Advice provided by Gary Robbins (Senior Accountant – Taxation) on 14 November 2022

Advice provided by Philip Gretton (Strategic Finance Business Partner) on 13 October 2022

Legal colleague comments

See Exempt Appendix 2

Advice Provided by Malcolm Townroe (Director of Legal & Governance) on 21 October 2022

HR colleague advice

Exempt Appendix 4

Advice Provided by Richard Henderson Director of HR & EDI on 24 October 2022

Other relevant comments

5. Equality Impact Assessment (EIA)

Attached as exempt Appendix 5, and due regard will be given to any implications identified in it.

6. Data Protection Impact Assessment (DPIA)

A DPIA is not required because there is no impact to data protection.

7. Carbon Impact Assessment (CIA)

A CIA is not required because there are no proposed changes which are relevant.

8. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

None

9. Published documents referred to in this report

None