

Benefit Administration & Outsourcing

New Support Customer Services Organisation



Cockell sounds outsourcing warning

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LGA chairman Sir Merrick Cockell has spoken out against a blind faith in the virtues of outsourcing council services and criticised the **philosophy** that councils should become commissioners rather than providers of services.

In an interview with the **Financial Times**, Sir Merrick said the period when “public bad, private good”, had “almost been a mantra” was over, along with the view that “the right way for local authorities to do things was to outsource everything”.

“I hope we’ve moved beyond that because there are very good cases for outsourcing,” Sir Merrick said. “There are even **stronger cases** for testing a service properly to see whether it’s the right service to outsource, to see whether there’s a mature market out there that may be suitable to tender against it and to then properly reach a conclusion that there is, or there isn’t.”

Councils such as Suffolk CC have looked at the notion of outsourcing all services, leaving the councils as simply a commissioning organisation. Other Labour-run councils such as Lambeth LBC have looked at proposals to hand the provision of services to community and charity groups, leaving a similar role for the council.

But Sir Merrick sounded a **note of caution** against such an approach, with the paper claiming he was “sceptical” about Suffolk’s experiment.

“My belief is that revolution is very difficult because you’ve tied yourself to a... set of principles as being the right ones. So if you say ‘we will **commission everybody**, we are simply commissioners’ then you can get stuck in that mantra,” he said.

Adapting services to changing circumstances was also easier if they remained in-house, he said. “If you’ve got IT in-house, actually you can be very responsive to change. If you’ve got **IT outsourced**... every time you want to change it, you have to **renegotiate** and that takes time.”

The interview made clear that Sir Merrick was speaking in his role as leader of Kensington & Chelsea RBC rather than as head of the LGA. However, the interview was 'tweeted' by the LGA's official account on Friday morning.

Outsourcing Benefits Service

Barnet Council is outsourcing benefits administration as part of its massive New Support and Customer Service Organisation contract. The letting of the contract is to coincide with the **biggest** change to the benefits system since 1945. Two changes in particular will have a major impact on the Council. These are the scrapping of Housing Benefit - housing support is to be included within the new Universal Credit; and the localisation of Council Tax Benefit - councils are expected to design their own scheme and to make a 10% saving in the process.

Migration to Universal Credit is to be implemented over a period commencing in October 2013. New claims and out of work claimants will move to the new system first, with in work claimants following later. At the same time changes to the way that Housing Benefit is calculated and new claim and contact arrangements have the potential to create chaos for the administration of the new benefit but also for Councils to whom claimants will inevitably turn when things go wrong.

Council Tax Benefit is to be **abolished from April 2013**. At this point the Council will have to implement its own scheme, to be known as Council Tax Support. Funding for the new scheme will be 10% lower than for the current benefit. Deputy Leader and Cabinet Member for Resources and Performance, has pointed out that : "This 10 per cent reduction means all councils will have to make some difficult decisions on how much help people claiming the new Council Tax Support can get. The Council is consulting with residents on how the scheme is to operate."

It seems inevitable that the Council will have to deal with issues relating to Universal Credit and Council Tax Support that are, by definition, impossible to quantify at this stage. The problem with this, in so far as the NSCSO contract is concerned, is that it is therefore also **impossible to accurately specify either the volume** of related

work that the contractor will have to undertake or its nature. It is probably reasonable to assume that there will be an **increase** in non-payment of Council Tax for example, but as the Council has not yet decided what to do about this, and has no way of knowing what the level of increase will be, it cannot accurately project its requirements under the contract.

The more **complex** changes to Housing Benefit could have consequent demands on the council that are even more difficult to predict. For the call centre for example, this could mean both an **increase** in call volume but also and more significantly, an increase in calls that cannot be adequately handled by generic staff.

Value for money in outsourcing is heavily dependent on being able to accurately specify requirements; the avoidance of so called 'variations' is, or should be, a key aim of any Council using private providers. The other side of the coin is a, not unreasonable, expectation on the part of a contractor of being able to **charge extra** for taking the risks associated with planning for the unknown, or for having to adjust to changes in volume or the nature of work at short notice.

Outsourcing during a period of **financial uncertainty** is clearly a **risky strategy** but doing so at the same time as a large part of the activity to be outsourced is undergoing its **biggest upheaval** in half a century could result in unplanned cost as well as service failure. A time when major change has to be achieved in systems that are critical to the well-being of some of the most vulnerable of Barnet residents seems to be precisely the wrong time to trust its delivery to an external provider.