
By: Roger Gough, Cabinet Member for Corporate Support Services & Performance Management
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To: Corporate Policy Overview & Scrutiny Committee, 1 July 2010

Subject: Report on Contact Centre (Consumer Direct South East)

Classification: Unrestricted

This report advises of the latest position in relation to the future of Consumer Direct from April 2011. It details the actions taken to date to try and secure the future of the service.

1. Introduction

1.1 At present Kent County Council provides the Consumer Direct service under a sub-contract for Trading Standards South East Limited. Trading Standards South East Limited has a contract with the Office of Fair Trading.

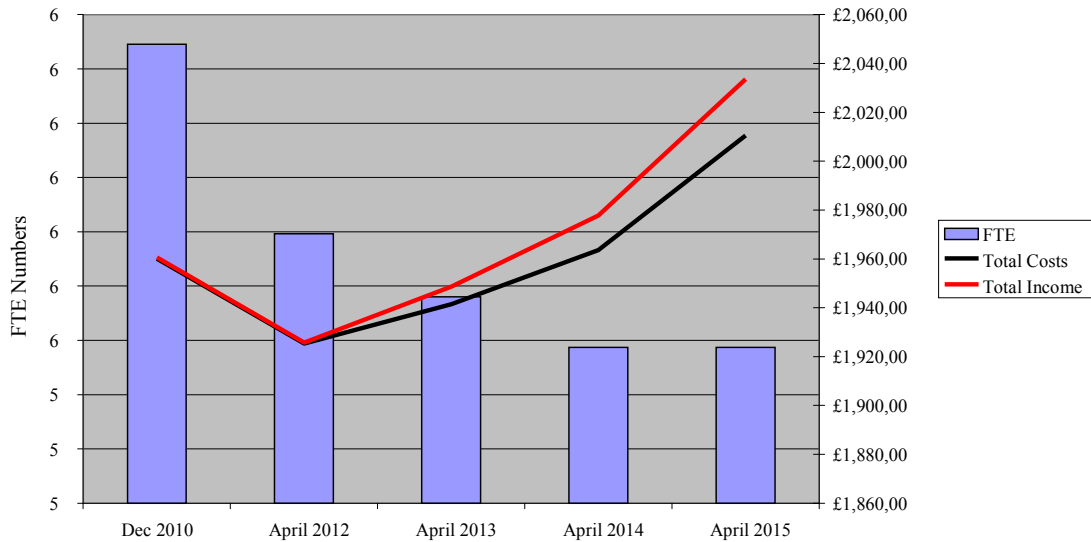
1.2 The service was established in 2005 when a contract was secured with the Department of Trade and Industry. The remit was to provide first tier consumer advice for residents residing in the GOSE region. In October 2009 Consumer Direct South East was awarded an interim contract to continue the delivery of the Consumer Direct service until the 31 March 2011.

1.3 Consumer Direct is a discrete unit within Contact Kent and currently employs 41.7 FTE. At present Consumer Direct is paid for each contact it handles and last year made a surplus of £229,708.

External revenue forecast

	5 years £000	7 years £000
Profit	140	200
Property charge (£118k per year)	590	826
ISG charge (£700 per user)	210	294
Total revenue	940	1,320

Financial Projections for 500,000 contacts for CDSE (1.7m nationally)



1.4 The risks of delivering this service are: -

- Banding levels are wide so profitability impacted by actual volumes
- Staffing levels not matching contact volumes and costs are not covered by income
- Quality bonus is not earned, losing £190k in revenue and causing a £170k loss
- Internet self serve causes a drop in main contact volumes and revenue reduces
- IT costs increase as a result of more than 50 seats needed to meet contact volumes. ISG have advised that any increase will result in the need to purchase a new switch and other systems at a cost of £200k
- Consortium collapses

1.5 Mitigation against risks

- Flow calls between centres to get the correct balance. If total contacts change then recruit or reduce staff. Manage channels to get lowest costs and increase marketing to generate more demand. Renegotiate service levels and/or use reserves
- Reduce costs to balance budget and renegotiate SLA and bonus criteria
- Negotiate cheaper option or join Contact Kent in procuring a new standalone system
- Flow calls between remaining centres, though as the partnership is strong this is considered unlikely
- Reduce costs

1.6 If we are not successful with our bid then the service would be run down, for complete closure in March 2011. A detailed exit plan will be defined if required, with Personnel already fully informed of the decision. It is likely that redundancies would have to be made.

Full report

2. Summary

This report outlines the latest position in relation to the future of Consumer Direct from April 2011. It details the actions taken to date to try and secure the future of the service.

3. Introduction

3.1 At present Kent County Council provides the Consumer Direct service under a sub-contract for Trading Standards South East Limited. Trading Standards South East Limited has a contract with the Office of Fair Trading.

3.2 The service was established in 2005 when a contract was secured with the Department of Trade and Industry. The remit was to provide first tier consumer advice for residents residing in the GOSE region. In October 2009 Consumer Direct South East was awarded an interim contract to continue the delivery of the Consumer Direct service until the 31 March 2011.

2.3 Consumer Direct is a discrete unit within Contact Kent and currently employs 41.7 FTE. At present Consumer Direct is paid for each contact it handles and over 5 years has made a £700k surplus. (£350k in reserves, £100k last year and £250k this year)

4. The Strategic Contract

4.1 The Office of Fair Trading in September 2009 placed an advertisement in the OJEU (Official Journal European Union) for the Consumer Direct Service from April 2011.

4.2 The OFT was seeking a single contractor to provide the following services:

- The delivery of a contact handling service for Great Britain for first tier consumer advice, Energy and Post.
- Maintenance, hosting and design of the Consumer Direct website.
- Management of partnerships with stakeholders, such as Consumer Focus and Trading Standards.
- Provision of a telephony system
- Provision and management of a case handling system and knowledge base.
- Marketing of the consumer direct service.

4.3 The contract will be for 5 years from April 2011, with the option to extend for a further 2 years.

4.4 After reviewing the content of the OJEU notice it was decided that it was beyond the scope of Kent County Council to seek the award of this contract.

4.5 We however wanted to explore the possibility of retaining and expanding the contact centre activity. An approach was therefore made to Agilisys via the Trading Standard South East Limited to ascertain whether we could work in partnership.

4.6 Agilisys currently provide the Consumer Direct North West service for Cumbria County Council. Agilisys are an IT service and outsourcing provider, who work within the private and public sector. They had the potential scope to provide the complete service as outlined in the OJEU notice.

4.7 A successful PPQ submission was made by Agilisys, the consortium included the following:

Agilisys
CDSW
CDSE
Trading Standard Institute
The Listening Company.

4.8 The PPQ submissions was successful and the following were invited by the OFT to submit tenders.

- Agilisys
- Civica
- Logica
- Capita
- Vertex
- Serco
- Eaga

4.9 5 Tenders were submitted by the 26 March 2010. Logica and Civica withdrew from the process.

4.10 Agilisys was shortlisted for the next stage of the procurement process together we believe with one other contractor. A presentation was made to the OFT on the 13 May 2010 and site visits conducted on the 17 and 19 May 2010.

5. Milestones

DATE	STAGE
22 June 2010	Notification of proposed award (delayed due to Cabinet Office and Treasury review of Public Spending)
2 July 2010	Contract Signature (delayed as above)

5.1 The OFT have outlined that they would want the transition arrangements to commence in September 2010, (possible delay as above) with the service fully operational in April 2011.

6. Risks

A summary of the risks are set out below:

6.1 CDSE fails to secure the contract

When the contracts are signed with the successful contractor the exit strategy will commence. Centres are likely to be closed on a rolling basis from Mid October to March 2011. The current advice is that the successful contractor will have TUPE responsibilities for the CDSE staff. Kent County Council will therefore have no responsibility for redundancy payments.

6.2 Finance projections for new contract

6.21 The attached graphs outline the financial position. The payments made by the OFT are dependant on the number of contacts in a financial year. A contact is telephone, web chat or web forms. The bandings are 1,100,000, 1,300,000, 1,500,000, 1,700,000 and 1,900,000 contacts per year.

6.22 CDSE will be paid dependant on the total number of contacts received by the whole consortium and the percentage of staff resource that we commit to the handling of this work. If the consortium handles 1,900,000 contacts, then CDSE would be expected to provide a 73 FTE call handling resource, an increase of 38 FTE. If the number of contacts reduced for instance in year 2 to 1,700,000 contacts, then we would need a total of 62 FTE. Current attrition rates are not sufficiently high, to allow for natural wastage of 11 FTE. If we failed to deal with the overstaffing levels by redeployment or redundancy, then there would be a risk of a loss being made.

6.23 CDSE is currently paid per contact, so over the life of the existing contract, management of staffing levels has been critical. Over the last 2 years, there is clear evidence that this has been successful, as an overall surplus of nearly £350,000 has been made. I am therefore confident that we can deal with the challenges of the new contract.

6.24 The Quality Bonus equates to 10% of the payment. This is dependant on service levels, customer satisfaction and call quality monitoring. The OFT reduce the amount payable on a sliding scale, dependant on the actual performance achieved and the variation with the KPI. CDSE has a very good record of achieving Quality Bonus, and this is also the case with CDSW and CDNW.

6.25 ISG have advised us of this potential cost if we decide to increase the number of desks beyond 50. "The main issue with extending beyond 50 seats is the need for additional DDI numbers (you currently only have 100). The most appropriate solution to this, in the interests of KCC, would be to separate CDSE from the rest of the KCC voice infrastructure and that would require us to install everything, switch, ACD application, voice recording etc. Without testing the market place fully, this is estimated at around £200K. This is a ballpark figure and depends where, how many, network services etc." Our plan is not to expand the number of desks beyond 50, but to use hot desking to make

greatest use of this resource. Under current arrangements ISG will also charge us £700 per user, rather than per workstation. This arrangement is not commercially viable. ISG have been asked for further details for this and we are still awaiting a response.

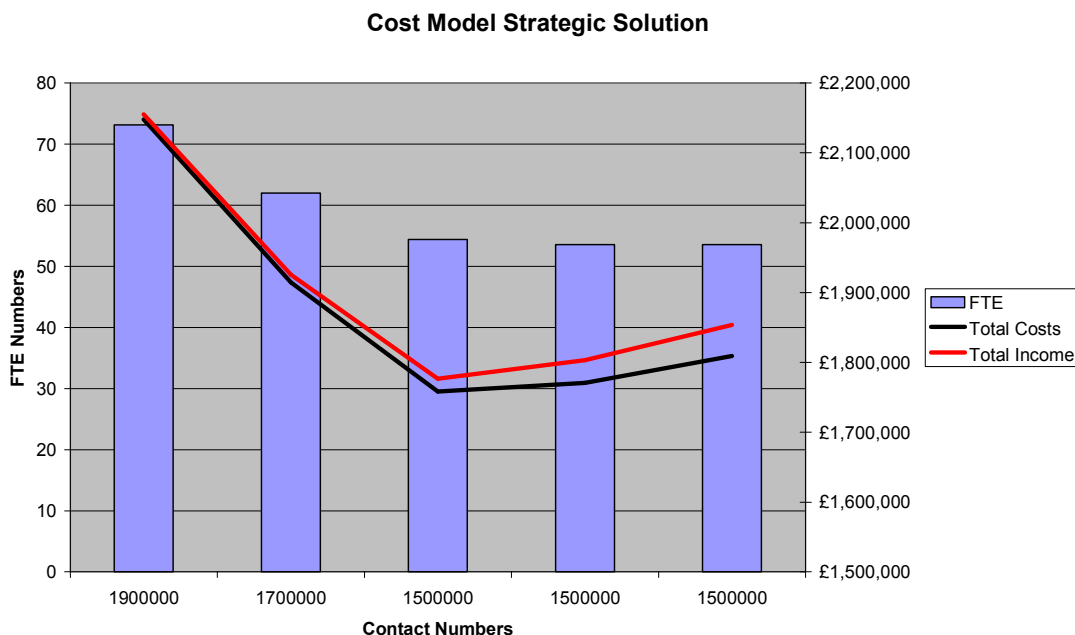
7. Opportunities

7.1 The award of this contract would secure the employment of the existing 41.7 FTE for 5 years. It could also result potentially in the employment of an additional 38 FTE.

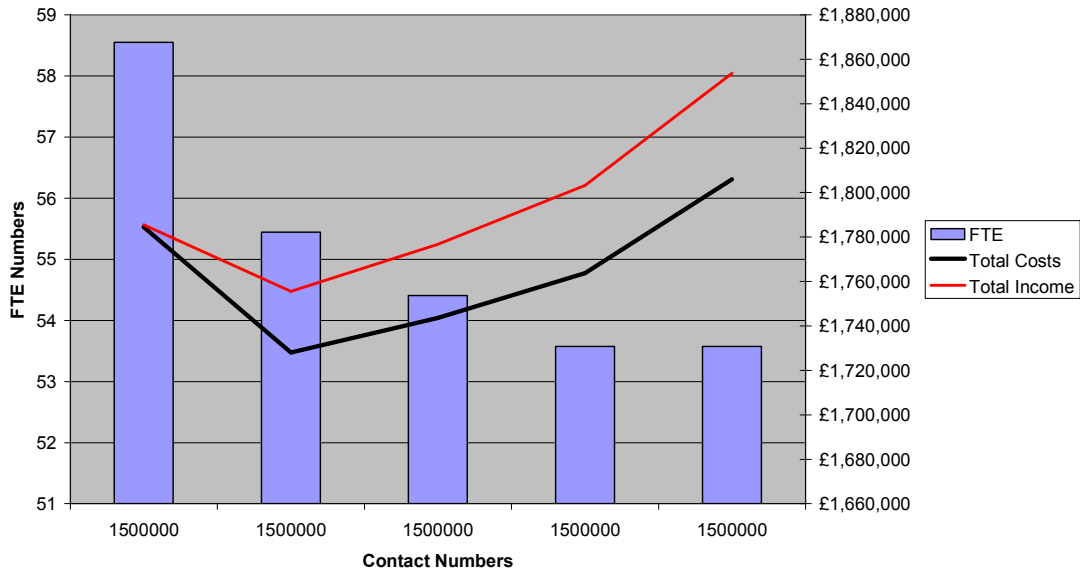
7.2 This prestigious national contract with Central Government could provide additional opportunities in the future for Kent County Council. There could be a possibility in the future to add work such as “Money made clear”, “National Fraud” etc.

7.3 The Consumer Direct Contract to date has generated considerable external income for Kent County Council. The current efficiencies within the centre in relation to utilisation etc will help to generate a surplus over the next 5 years.

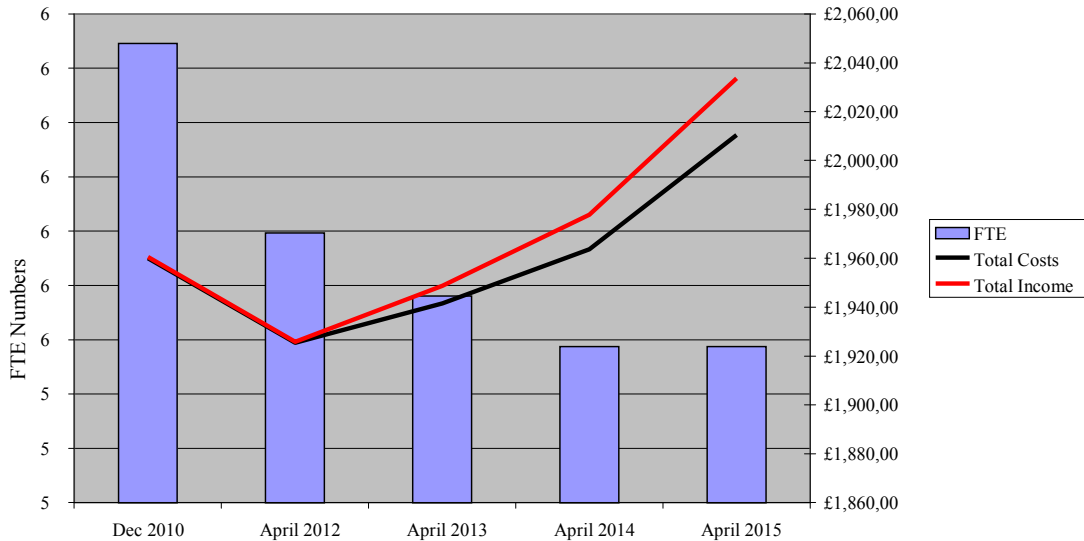
8. Financial projections



Cost projections based on 1500000 contacts



Financial Projections for 1,700,000 contacts



Local members will be consulted as is usual in these matters.

9. RECOMMENDATION

Members of the Corporate Policy Overview Committee are asked to note the contents of this report.

10. Author Contact Details

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