

---

**Report to**  
Cabinet

14<sup>th</sup> June 2005

**Report of**  
Director of City Services, Director of Finance & ICT, Head of Human Resources

**Title**  
*Consumer Direct West Midlands (CDWM)*

---

### 1 Purpose of the Report

- 1.1 To request that Cabinet refer this report to Council for their approval so that the City Council can enter into a contract with the Department of Trade and Industry (*dti*) to provide a regional contact centre for the greater West Midlands area for *Consumer Direct*.
- 1.2 Therefore, this report seeks authority to negotiate with the *dti* along the lines indicated and to complete all necessary legal documentation to implement *CDWM*. These negotiations will be lead by the Head of Public Protection (City Services Directorate) and the Head of Customer and Business Services (Finance & ICT Directorate).
- 1.3 *Consumer Direct West Midlands (CDWM)* will be a new telephone and online consumer advice and information service totally funded by the *dti*, provided (subject to contract negotiations) by Coventry City Council in a partnering arrangement with other Trading Standards services across the West Midlands area. Consumers within the West Midlands region will be able to access quality consumer advice through a single national telephone number.
- 1.4 The contract for *CDWM* is worth in the region of £5m over a four-year period to 31<sup>st</sup> March 2010. The *CDWM* contact centre will be based alongside but separate to *Coventry Direct* (previously Coventry Empowered) and will employ approximately 34 full time equivalent employees.
- 1.5 *CDWM* has very good synergy with *Coventry Direct* that was reported to Cabinet on 8<sup>th</sup> February.
- 1.6 This report follows previous reports presented to the Cabinet Member (City Services), in conjunction with the Cabinet Member (Corporate and Customer Services), on this subject.

## **2 Recommendations**

2.1 Cabinet is asked to recommend to Council to:

2.1.1 Approve the details of the *CDWM* regional contact centre on the terms detailed in this report and to note that our assumptions for the negotiations with the *dti* will be based upon full cost recovery over the life of the contract.

2.1.2 Authorise the Director of Legal & Democratic Services in consultation with the Directorates referred to in paragraph 1.2 of this report to complete all necessary legal documentation to implement *CDWM*.

2.1.3 Note that the *CDWM* contact centre will be operated on behalf of the region as part of *Coventry Direct* and it will be managed via the Customer & Business Services unit. Strong links will be established with the other regional Local Authorities and with our current Trading Standards service.

2.1.4 Note that regular monitoring reports will be presented to the Cabinet Member (City Services) and the Cabinet Member (Corporate and Customer Services).

2.1.5 Note that recruitment for the *CDWM* contact centre will commence as soon as possible, subject to a contract with *dti* being signed.

2.1.6 Note the challenging time scales referred to in paragraph 5 of this report.

2.1.7 Note that the assumptions contained within this report are that any effect that *CDWM* will have upon the current Trading Standards service will be cost neutral.

2.1.8 Note that in the unlikely event that we fail to agree the costs with the *dti* then we would reluctantly have to withdraw from the negotiations.

## **3 Information/Background**

3.1.1 In 1999 the *dti*, White Paper called "Modern Markets: Confident Consumers" highlighted the inconsistent provision of consumer advice across Great Britain, and stated that consumers were subject to a "postcode lottery". Some Local Authorities provided a very good consumer advice service, as in Coventry, others hardly had any service provision at all.

3.1.2 It is Government policy to create more competitive markets and the White Paper contends that empowering consumers to be more confident and to challenge suppliers when they are dissatisfied will introduce greater competition. Equally well businesses, with a good reputation for customer care will attract a loyal customer base and will succeed against their competitors, everything else being equal.

3.1.3 Research by the *dti* suggested the need for a nation-wide consumer helpline, which could answer a range of questions, and empower consumers to solve problems themselves. Pilot projects, undertaken in 2001/02 in West Yorkshire, Cornwall and London, confirmed that there was very significant unmet demand for a dedicated consumer helpline.

3.1.4 *Consumer Direct* is the *dti*'s solution to this unmet demand. When complete the *Consumer Direct* project will have established a *Consumer Direct* contact centre in each of the English Regions (based on Government Office boundaries) plus one centre in Wales and one in

Scotland, making 11 in total. These centres, when the network is complete, will operate on a single, widely publicised national telephone number that will automatically be directed to the appropriate Region's centre. The network will provide a consistent, high level of "first tier" consumer advice.

- 3.1.5 This network of 11 Regional centres is believed to represent the appropriate balance between gaining high levels of economies of scale whilst still retaining responsiveness to local issues and conditions. Other models were considered by Government and rejected. These alternatives included a single national call centre and what may be termed a "virtual call centre" by electronically linking existing consumer advice services. These options were rejected as not providing the appropriate balance described above.
- 3.1.6 The extent of the currently unmet demand was originally estimated at between 400,000 and 1.5 million calls/year. However, pathfinders have found that these figures underestimate the actual demand, and have increased their resources nationally by over 50% since launch. *CDWM* will be part of the (final) 'third wave' of implementation and is expected to increase demand for Trading Standards civil law advice services across the Region. The associated national database will also greatly improve the intelligence to Trading Standards for both enforcement and advice purposes.
- 3.1.7 The existing Trading Standards Consumer Advice services will complement the service provided by *Consumer Direct* by focusing on the more complex and specialist advice areas, which are less suitable for a contact centre to handle effectively, and by providing a greater level of assistance to the more vulnerable consumers. In particular, it is not intended that *Consumer Direct* will deal with anything other than "first tier" telephone calls. They will not provide face-to-face advice, will not examine any paperwork and will not draft letters or intervene with traders or consumers on behalf of the complaining party. All enquiries that require this extended service will be referred to more appropriate agencies, notably to Local Authority Trading Standards Services. It is not intended that *Consumer Direct* will provide advice to trade & business.
- 3.1.8 The establishment of the regional contact centres will significantly improve access to advice services through, for example, extended opening hours well beyond normal "office hours" and increased staffing. The whole project represents an enormous investment by central government in Consumer Advice services being provided directly by local authorities.
- 3.1.9 This roll out to third wave areas coincides with the development of the *Coventry Direct* project and the associated improvements in access to and efficiency of customer contact services provided by the City Council.
- 3.1.10 Cabinet will recall that *Coventry Direct* was the subject of a report to Cabinet on the 8<sup>th</sup> February and that it is proposed that the associated City Council Customer Contact Centre will be operational from 1<sup>st</sup> January 2006. *Consumer Direct* is an excellent example of a similar work stream to that which the contact centre will be designed and equipped to handle. These similar work streams have the potential to introduce further economies of scale, provide external income and additional employment opportunities.

## 3.2 Pathfinder Regions

- 3.2.1 In 2004 the *dti* announced that Scotland, Wales, the Southwest and Yorkshire & Humberside had been selected as the four pathfinder regions. *Consumer Direct* was rolled out in these regions starting in June 2004.

3.2.2 Subsequently four "wave two" regions signed contracts with Dti and have had "live" regional call centres from March of this year with public launches to take place this summer.

3.2.3 The dti time scale was initially for the whole of the UK to be covered by 2007, learning lessons from the experiences of the pathfinders. However, it is now expected that full coverage will be achieved early in 2006.

### 3.3 Feedback from the Pathfinder Regions

3.3.1 Feedback from the pathfinders will be of great assistance in ensuring that the rollout of *Consumer Direct* in the West Midlands goes as smoothly as possible.

3.3.2 In general there have been expected teething problems including demand for the service initially outstripping supply, resulting in the quality of advice slipping below acceptable levels and an intensive retraining exercise for *Consumer Direct*. In addition some potential criminal matters were not picked up.

3.3.3 The referral rate of calls from *Consumer Direct* to local Trading Standards Sections was running at the anticipated 20%, and this had led to severe problems with capacity in some Trading Standards service areas.

3.3.4 However, an initial customer survey of 200 people in Scotland gave an 80% satisfaction rating, while 90% would recommend the service to a friend.

3.3.5 Greater than expected, and increasing take-up has led to *Consumer Direct* Wales taking on 4 additional employees.

### 3.4 Initial Lessons from Pathfinder Regions

3.4.1 In-put from local Trading Standards advisors is key to a smooth start up for *Consumer Direct* in a new area and to minimise the risk of potential criminal matters being missed. Ongoing engagement and support by all local authorities in the region is also important to ensure that *Consumer Direct* and the call centre operates efficiently and continues to meet local requirements.

3.4.2 Transfer of complex complaints from *Consumer Direct* to local Trading Standards services requires correctly identifying traders and in getting this information onto local databases. It is possible that on-going discussions with software suppliers will have resolved some of these problems before our 'third wave' is rolled out. Until such time as this complete electronic transfer is possible details will generally be passed on by secure e-mail and will then be manually loaded into local case handling software.

3.4.3 Experience from the initial pathfinder launches was of significant higher than expected public demand. This puts pressure not only on the new *Consumer Direct* call centre but also on local Trading Standards services, which have to meet increased consumer demand to deal with the more complex enquiries. Experience from the pathfinder areas suggests that public demand may be expected to increase by as much as an additional 50%, over and above the number of enquiries being handled by the Trading Standards services prior to the launch of *Consumer Direct* in their area.

### **3.5 Consumer Direct West Midlands (CDWM)**

- 3.5.1 The Cabinet Member (City Services) who is responsible for Trading Standards activities was invited to a presentation on 2<sup>nd</sup> April 2004, given by a senior *dti* official, the Director of Consumer Direct. He encouraged the local authorities in the Government Office West Midlands (GOWM) region to engage in the process of developing a *Consumer Direct* contact centre.
- 3.5.2 There are 14 Trading Standard authorities (Birmingham, Dudley, Herefordshire, Sandwell, Shropshire, Solihull, Staffordshire, Stoke-on-Trent, Telford & Wrekin, Walsall, Warwickshire, Wolverhampton, Worcestershire and ourselves) in the GOWM region.
- 3.5.3 The consensus view of all those present at this seminar was that unified support, to ensure a successful *WMCD* project, was appropriate.
- 3.5.4 The West Midland region is in the third (and final) wave of the introduction of *Consumer Direct* across the country. At the time of writing it is believed that *CDWM* will go live early in 2006. The actual date will depend on information from the *dti*.
- 3.5.5 Currently *dti* are suggesting working towards a finalised contract by the end of this month, have the new contact centre ready for service by November, with a public "launch" date between January and March 2006.

## **4 Selection Process**

- 4.1.1 A selection process for the West Midlands was established which sought to identify the local authority in the region that has the best prospect of delivering and sustaining *CDWM* over the lifetime of the *dti* funding regime. This would also include an appropriate exit strategy, which reflects the interests and needs of the member authorities pertaining at that time.
- 4.2 At the Cabinet Member (City Services) meeting on 17<sup>th</sup> March it was decided to submit a bid by the City Council to the regional selection panel to host this contact centre on behalf of the region in Coventry. A closing date for this bid was 11<sup>th</sup> May 2005.
- 4.3 On 20<sup>th</sup> May the selection panel met to consider three bids from Birmingham City Council, Warwickshire County Council and ourselves. After careful consideration the selection panel appointed Coventry City Council as the 'preferred supplier' for the greater West Midlands region.

## **5 Negotiations with the dti and contract signing**

- 5.1 Work is now progressing to turn our proposal into a regional submission to the *dti*. A meeting has been arranged with the *dti* for 15<sup>th</sup> June and we are required to make a regional presentation to the *dti* in London on 17<sup>th</sup> June.

- 5.2 It is anticipated that contracts with the *dti* will be signed by 30<sup>th</sup> June, that the new contact centre will take the first calls during November and that a public launch will take place between January and March 2006.
- 5.3 It is anticipated that the contract will extend to 31<sup>st</sup> March 2010.
- 5.4 The main discussions with the *dti* will revolve around the price that they are prepared to pay per telephone call after an initial set up period. The costs during the set up period, which will extend from now until mid 2006, will be met in total by the *dti*, subject again to negotiations.
- 5.5 A robust financial model has been developed and this will form the basis of the negotiations. This has been based upon the project being totally funded by the *dti*.
- 5.6 In the unlikely event that we fail to agree the costs with the *dti* then we would reluctantly have to withdraw from the negotiations.
- 5.7 It is proposed to operate *CDWM* as part of *Coventry Direct* and it will be managed via the Customer & Business Services unit. Strong links will need to be established with the other regional Local Authorities and our current Trading Standards service.
- 5.8 In view of the above this report seeks authority to negotiate with the *dti* along the lines indicated. It also seeks to authorise the Director of Legal & Democratic Services, in consultation with Directorates referred to in paragraph 1.2 of this report, to complete all necessary legal documentation to implement *CDWM*.

## 6 Other specific implications

6.1

	Implications (See below)	No Implications
Area Co-ordination		✓
Best Value	✓	
Children and Young People		✓
Comparable Benchmark Data	✓	
Corporate Parenting		✓
Coventry Community Plan		✓
Crime and Disorder	✓	
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources	✓	
Human Rights Act		✓
Impact on Partner Organisations	✓	

	<b>Implications (See below)</b>	<b>No Implications</b>
Information and Communications Technology	✓	
Legal Implications	✓	
Property Implications		✓
Race Equality Scheme		✓
Risk Management		✓
Sustainable Development		✓
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact		✓

## 6.2 Best Value

6.2.1 One of the drivers behind *Consumer Direct* is, according to the *dti*, to introduce "industrial organisation into a cottage industry". It is intended to extend the hours of service availability into evenings and Saturday mornings (similar to *Coventry Direct*), increase take up of the service and to do so with greater efficiency and economy than could be achieved through other service delivery mechanisms.

## 6.3 Comparable Benchmark Data

6.3.1 The estimates of unmet demand vary very widely, as does the known extent of current service usage across the country and, indeed, across the region. Some figures suggest that this unmet demand may amount to around 300% of current usage.

## 6.4 Crime and Disorder

6.4.1 The establishment of a national database of consumer enquiries will ensure better and earlier warning of developing "scams" and improve the ability of Trading Standards services to intervene at an early stage. The improvements to "intelligence" will also enable resources to be focused on problem areas, not only by local Trading Standards services but also by other agencies including the Office of Fair Trading.

## 6.5 Finance

6.5.1 The *dti* have made £30 million available to introduce *Consumer Direct*. The pathfinder regions have each received £20,000 to assist with set up costs and each have signed a contract for the provision of *Consumer Direct* until 2010. The total investment by Government when all pathfinders are in place is around £100 million.

6.5.2 This very significant investment by the Government in Consumer Advice services will completely change the nature of the service provided by local authorities. The extent and nature of the potential impact will only become clear as more information is drawn out of the pathfinder regions. The extent and nature of the actual impact on individual local authorities will only become clear once the West Midlands centre settles into a steady state of operation.

- 6.5.3 The current assumption is that the reduction in workload as regards first tier advice will be matched by the increase in demand for more in depth advice and assistance, particularly to more vulnerable consumers.
- 6.5.4 The preparation and submission of the bid to the Regional Selection Panel required an investment of time by Council employees and some other direct costs. An external consultant has been appointed inline with standing orders to undertake some of the work and to provide other assistance. We have also produced a high quality submission for the various stages of the bid process and negotiations. This additional work (excluding our own indirect costs) has cost approximately £12,000 and has been met from within existing budgets.
- 6.5.5 The financial arrangements will be subject to detailed negotiation with the *dti*. Pathfinder authorities have received significant capital funding to establish their call centres and ongoing revenue funding, generally on a cost per call basis.
- 6.5.6 Our assumptions for the bid and negotiations with the *dti* are based upon full cost recovery over the life of the contract.
- 6.5.7 The contract for *CDWM* is worth in the region of £5m (subject to negotiation with the *dti*) over a four-year period to 31<sup>st</sup> March 2010.
- 6.5.8 It is anticipated that all of our set up costs plus the total running costs for the initial period of operation (to be negotiated with the *dti* but likely to be in the region of £750k until June 2006) will be met in full by the *dti*.
- 6.5.9 Once *CDWM* is fully operational and has had its public launch a 'cost per call' will be introduced. It is anticipated that this will be banded dependant upon the number of calls received subject to a minimum and maximum, the details of which are, again, to be negotiated with the *dti*.
- 6.5.10 Although there will be some financial risks it is proposed that these will be minimised during the negotiations with *dti*. It is intended to report back to Members once the final negotiations have been completed and contracts signed.
- 6.5.11 Officers are currently satisfied that the risks are manageable.

## 6.6 Human Resources

- 6.6.1 *CDWM* will be 'no ordinary' contact centre. It will be housed in high quality accommodation and equipped with the latest technology. Therefore, it is anticipated that it will be able to attract the right level of expertise and will be a good place to work.
- 6.6.2 It is too early in the process to state the exact number of job opportunities that the *CDWM* will generate. The work so far would indicate that in the region of 34 full time equivalent jobs would be created with the majority of these likely to be available on a part time basis. These will include call centre advisers, supervisors and managers.
- 6.6.3 It is difficult to assess the likely impact on the workload of the Trading Standards service and, hence, the impact on employee requirements. Early indications from the pathfinder centres reflect the *dti's* view of significant unmet demand and show a significant increase in complex issues being referred to Trading Standards sections. This will be offset by a reduction in demand for 'immediate advice' when all our current telephone and e-mail queries are passed to *CDWM*.

6.6.4 It is proposed to report back to Members sometime after the introduction of this new service and once the implications have been fully evaluated.

## 6.7 Impact on Partner Organisations

6.7.1 The development of a *CDWM*, and the higher profile for service availability that will follow, may increase the number of enquiries, including those unconnected with "consumer advice" that will need to be referred to other specialist advice agencies. Many of these will be referred to the Citizens Advice Bureau, other members of the Consumer Support Network and other statutory regulators.

## 6.8 Information and Communications Technology

6.8.1 One of the many issues to be resolved as the call centre is developed will be the appropriate IT infra-structure to support data capture, case handling and referral. Development work, which the pathfinder centres are currently undertaking, should benefit the operation of the West Midlands centre. The *dti* will provide some of this infrastructure and some will be sourced separately.

6.8.2 The synergy between *CDWM* and *Coventry Direct* should significantly help, as similar systems will need to be available to operate both services.

6.8.3 Across the West Midland area a number of different Trading Standards software providers are used to handle internal caseloads. Coventry use MVM, a large company with many Local Authority clients and a significant Trading Standards software provider. Whilst MVM has very recently been taken over by a company called Northgate Information Solutions it is currently understood that this will bring potential benefits to their customers.

6.8.4 Coventry has a 'Street Gazetteer' which is compliant to the national format and will have a completely compliant 'Land and Property Gazetteer' well before *CDWM* goes live. This should facilitate easier data transfer.

## 6.9 Legal Implications

6.9.1 The provision of Consumer Advice service is not, currently, a statutory duty on the local authority. However, almost all local authorities do provide such a service, to some degree, under permissive powers.

6.9.2 The real legal issues to be addressed will concern the contractual arrangements between the *dti* that is funding it, each of the stakeholder local authorities and us. A provisional evaluation of the proposed contract has already been made with our concerns being raised with the *dti*. Ongoing discussions will take place until The Head of Public Protection and Head of Customer and Business Services, following advice from Legal & Democratic Services, are satisfied with the contract conditions.

## 6.10 Property Implications

6.10.1 It is proposed to house the *CDWM* contact centre in Spire House along side but separate to the *Coventry Direct* contact centre.

6.10.2 The necessary building remedial work will commence early July and will be completed by the end of September. This will include the technology infrastructure required to make the centre operational.

## 6.11 Risk Management

6.11.1 In line with current City Council procedures for projects of this kind a Project Initiation Document (PID) has been produced which includes an initial project risk log. As the project develops this will be updated and any risks identified will be managed.

6.11.2 A regular reporting mechanism to a Project Board is already in place.

## 6.12 Trade Union Consultation

6.12.1 Clearly the Trades Unions will need to be fully consulted as proposals develop. At a local level, the current employees within our Fair Trading Team are fully aware of this issue.

## 6.13 Monitoring

6.13.1 A reporting process is already in place in line with current City Council practice for projects of this kind. As indicated previously a PID has also been produced.

6.13.2 Members will be kept fully informed of progress through the Cabinet Member (City Services) and the Cabinet Member (Corporate & Customer Services).

## 6.14 Time scale and expected outcomes

6.14.1 The dti is keen to establish a complete set of regional call centres as quickly as possible and certainly by early 2006 at the latest. The key dates are contained within paragraphs 5.1, 5.2 and 5.3 within this report.

	Yes	No
<b>Key Decision</b>	√	
<b>Scrutiny Consideration (if yes, which Scrutiny meeting and date)</b>		√
<b>Council Consideration (if yes, date of Council meeting)</b>	√ <b>21 June 2005</b>	

List of background papers

Proper officer: Stephen Pickering, Director of City Services

Author: Michael J Green, Head of Public Protection  
(Any enquiries should be directed to the above)

Telephone 1871

Other contributors:

Clive Townend, Assistant Head of Public Protection  
Alan French, Head of Customer & Business Services  
Keith Eales, Lead Accountant  
Lynne Bowell, Personnel Officer  
Clarissa Evans, Commercial Group Manager  
David Jones, Fair Trading Manager  
Lara Knight, Senior Committee Officer

Telephone x 1878  
Telephone x 3819  
Telephone x1166  
Telephone x3391  
Telephone x3093  
Telephone x1875  
Telephone x3237

Papers open to Public Inspection

**Description of paper**

**Location**

None