**CIVICA PROFILE**

**by**

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# Background

PSIRU was commissioned by the Australian Services Union (ASU) in July 2013 to write a profile of CIVICA, a company providing ICT services, analysing its strategies and areas of work with the public sector in the United Kingdom, especially local authorities. CIVICA has already been contracted to provide services to the public sector in Australia but is planning to bid for more outsourced contracts. The ASU needed further information about how the company operates in the UK, particularly in local government. The report highlights CIVICA’s involvement in the promotion of ‘agile working’, Electronic Data Management (EDM) and ‘workflow’ in local authorities and how CIVICA is starting to control large areas of local authority work.

This report has been compiled by drawing on the following sources of information: CIVICA Annual Reports, press reports, local authority publications, business news sites and financial reports.

# Company background and structure

CIVICA provides consulting, software and outsourcing services for local government, criminal justice and education systems in the UK. It also works with the business sector in legal services, pensions and utilities, which are highly regulated and have similar characteristics to working with the public sector. CIVICA has expanded into Singapore, Australia, New Zealand, Canada and the United States over the past decade.

In 2003, CIVICA was formed from the public sector businesses of the Sanderson Group, an IT software and services company, [[1]](#endnote-1) and floated on the London Stock Exchange. In the first five years of operations CIVICA provided software to run local authority services, such as environmental health systems and libraries, as well as educational systems for schools. In 2006, CIVICA, in partnership with Paradigm, a consortium led by Taylor Woodruff, was awarded a contract to provide ICT services for Sheffield ‘Schools for the Future’ programme (a central government initiative to improve state schools in England). [[2]](#endnote-2)

CIVICA supported its expansion by acquiring software companies which enabled the company to widen the range of services it could offer to the public sector. For example, Comino, a public sector software company was acquired in 2005. VT Software Solutions was acquired for £3m in 2007, which gave CIVICA access to the social housing market.[[3]](#endnote-3)

In 2008 the company was acquired by Cornwall TopCo, backed by 3i, a venture capital investor, for £190 million. Cornwall Topco had been formed for the purpose of making the offer and is CIVICA’s parent company. CIVICA was subsequently delisted from the London Stock Exchange. In 2013, CIVICA was sold by 3i to Omers (Ontario Municipal Employees Retirement Scheme) Private Equity for £390 million.[[4]](#endnote-4)

At a time when public sector budgets have been cut and there has been increasing pressure placed on public services to reduce workforces and deliver services using electronic / digital systems, CIVICA has provided local authorities with ‘solutions’ to these problems. The difficulties in commissioning ICT services by non-specialists has made local authorities dependent on ICT companies, such as CIVICA, to provide electronic services which have a growing impact on the size of the workforce as well as the nature of the work. It is called ‘process-led technology’ and is starting to influence the nature of the public sector.

In 2013, CIVICA has been award a range of contracts with local authorities in the UK at a time of significant change in the welfare system administered by local authorities. In April 2013, local authorities took over from central government responsibility for providing welfare benefits directly to local people, especially housing benefits. CIVICA's Revenues and Benefit Processing and Local Welfare Assistance Services have been used by local authorities to provide these services. [[5]](#endnote-5)

**Table 1: CIVICA turnover/ profits**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2012-13** | **2011-12** | **2010-11** |
| **Revenues**  **(Cost of sales)** | 201.9m  (59.5m) | 182.7m  (58.8m) | 169.0m  (53.0m) |
| **Gross profit**  **(Administrative expenses)** | 142.4  (104.4) | 123.9m  (89.1m) | 116.0m  (83.0m) |
| **EBITDA (Earnings before interest, taxation, depreciation and amortisation)** | 38m | 34.8m | 33m |
| **Number of employees** | 1,919 | 1,635 | 1,548 |

Source: CIVICA Group Annual Review: 2012, 2011, 2010

CIVICA has shown an increase in its revenues and gross profit during the last three financial years.

Although revenues were £201.8m, after interest repayments of £18.4m and taxes of £4.8m, this led to a net loss of £3.9m. In 2011, the loss was £10.5m.[[6]](#endnote-6)

CIVICA’s workforce has increased and the company now employs almost 2,000 workers. Some of this increased workforce is the result of workers being transferred under the TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006) conditions. TUPE protects the terms and conditions of workers moving to an outsourced company, from a public sector employer.

**Table 2: CIVICA Regional revenues**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2011-2012** | **2010-2011** | **2009-2010** |
| United Kingdom | 140.4m | 127.8m | 118.4m |
| Australia & New Zealand | 45.2m | 42.2m | 37.6m |
| Singapore & South East Asia | 12.0m | 9.9m | 8.8m |
| North America | 4.3m | 3.6m | 4.2m |

Source: CIVICA Annual Report, 2012, 2011, 2011

The UK is CIVICA’s largest market with Australia and New Zealand its second largest market. Singapore and East Asia are a smaller, although expanding, market.

**Table 3: CIVICA sectoral contribution to profits**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2011-12** | **2010-11** | **2009-10** |
| Local government | 54% | 54% | 54% |
| Education | 21% | 20% | 16% |
| Housing & asset management– IT services to provide tenant services | 11% | 12% | 13% |
| Health and social care – to deliver software and services for management of integrated care and improve patient services | 10% | 11% | 7% |
| Enforcement and public protection for police, fire services and Citizens Advice (NGO providing advice and information to individuals on range of welfare benefits and legal rights)  Regulated markets – pensions, utilities and legal services | 4% | 3% | 10%  (Enforcement) |

**Source:** CIVICA Annual Report, 2012, 2011, 2011

Local government has contributed a steady 54% of CIVICA’s profits over the last three years. Education is the second largest contributor to profits. The contribution of housing services has declined slightly from 13% to 11%. There has been a slight change in the importance of enforcement services, with a decline from 10% to 4% of profits.

**Table 4: CIVICA Acquisitions 2011-2012**

|  |  |  |
| --- | --- | --- |
| **2013** | **2012** | **2011** |
| Corero Business Systems (CBS) in a £13 million deal.[[7]](#endnote-7) | Gateway Computing – document management specialist for the UK healthcare sector | Cave Tab Limited  Public Sector Costing Associates Limited (PSCAL)  Innogistic Limited  RM Asia Pacific (provider of school systems and classroom technology – 3,000 schools) |

Source: CIVICA Annual Report 2011, 2012

In 2011, CIVICA made a series of acquisition of companies that will increase its capacity to work with the public sector on accounting and financial issues. RM Asia Pacific has provided CIVICA with access to a new market for school services in Asia. In 2013, CIVICA bought a schools division of Corero Business Systems.

# Key contracts 2011-2013

CIVICA has gradually expanded its work with local authorities since 2010. A number of key contracts are set out in Table 5. Since April 2013, CIVICA has won several contracts with local authorities in England at a time when local authorities are starting to administer welfare benefits, previously administered by central government. These changes are imposing limits on the welfare benefits payable to households and are part of more regressive welfare reforms.

**Table 5: CIVICA Key contracts 2011-2013**

|  |  |  |
| --- | --- | --- |
| **2013** | **2012** | **2011** |
| **Association of Greater Manchester Authorities**  Library services for 5 local authorities Manchester. [[8]](#endnote-8) | **Luton Borough Council**  10-year ICT outsource £34 million – aiming for savings of £12.6 million [[9]](#endnote-9) | **Gloucester City Council**  Outsourced revenues, benefits, welfare rights and counter-fraud services – 7 year contract [[10]](#endnote-10) |
| **Malvern Hills District Council, Worcester City Council and Wychavon District Council**  Provision of revenue and benefits services to 3 local authorities in Worcestershire. 5 year contract with savings of £3 million [[11]](#endnote-11) | **Eastbourne Borough Council** Following successful ‘lean’ working, contracted to provide ‘Future Model’  programme including universal contact management to support  channel shift and ‘digital by  default’ services. [[12]](#endnote-12)  The EDM system works with established Civica Financials, ICON and Public Protection software systems and there is scope for more flexibility e.g. hot desking, contact centres and other facilities shared with partner public bodies such as the Sussex Police and NHS organisations[[13]](#endnote-13) | **Harrow Council**  EDRMS (Electronic  Document and Records Management System) & Workflow within its broader partnership with Capita (another UK company providing services to the public sector).[[14]](#endnote-14)  **London Borough of Sutton**  Civica’s Electronic  Document Management (EDM) & Workflow solution – help local authorities to organise, control and distribute increasing volumes of information securely across different systems, and in line with compliancy rulings. |
| **Lambeth Schools**  An 8 year contract for £10.8 million to CIVICA for running ICT services in Lambeth Schools. [[15]](#endnote-15) | **London Borough of Tower Hamlets**  Electronic Post Room, a fully outsourced document tracking and processing system based around its electronic tagging technology, FileTrail, that would be integrated with the existing Civica EDM system**.**[[16]](#endnote-16) | **London Borough of Hackney**  Social care IT system - an estimated over 20 million documents for 100,000  individual cases had to be stored electronically, with savings of £250,000. [[17]](#endnote-17) |

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# Problems with contracts

**London Borough of Barnet**

In 2012, UNISON commissioned a report by the Association for Public Service Excellence (APSE) on procurement and contract management in the London Borough of Barnet, in response to a number of procurement failures in the local authority. The report examined a number of contracts that the local authority had commissioned over previous years. One of the studies looked at the case of a ‘5-year managed software and IT services contract worth £2 million’ with CIVICA for Civil Enforcement (CE) technology’. This contract did not appear on the register of contracts (over £25,000) let since January 2011 and it was unclear whether this was because it had been let before January 2011. However the size of the contract was well above the threshold for service contracts. There was no evidence of a OJEU (Official Journal of the European Union) Notice or a Contract Award Notice, which suggested that the contract had been awarded directly. However, it might have been awarded from the Buying Solutions IT Managed Services framework, which did not require a Contract Award Notice, although, as the APSE report pointed out, this could be recommended as good practice.[[18]](#endnote-18) This example shows the importance of adhering to legal processes during commissioning procedures. The involvement of CIVICA in a growing range of contracts with local authorities can make following correct procedures more difficult because of the informal links between CIVICA and the local authority.

**Harrow Council**

In 2009, UNISON raised concerns about the consultation process that the Housing Service had undertaken in relation to the introduction of the electronic document retrieval management system (EDRMS), which it argued was not following the protocol for managing organisational change. CIVICA had been contracted to manage the contract.[[19]](#endnote-19) Management argued that the consultation, in order to identify savings and areas where additional resources would be needed, could only be meaningful after the system went ‘live’ in October 2008. A consultation process did take place towards the end of 2008. Five employees were affected by the restructuring. Three had applied for voluntary severance, one employee had been offered an alternative role and one employee was being made redundant. [[20]](#endnote-20) This process shows some of the difficulties in consulting on new complex electronic systems that need to be in place before any effective consultation is considered effective by management.

**Australia**

In Australia in 2013, the Central Highlands Council reported problems with accounting software and internal control system installed by CIVICA. [[21]](#endnote-21) The software programme, used for purchasing, procurement and payroll services was considered disorganised, with weak internal controls. Councillors of the Central Highlands Council were running the risk of fraudulent activities.

# Conclusion

CIVICA has expanded over the last decade and has followed a strategy of introducing basic software and other IT services to local authorities, which creates a dependency by the local authority on CIVICA, leading to further contracts. CIVICA is negotiating contracts which are not just delivering software services to local authorities but also introduce new ways of working for employees which affects the nature of the work and the way in which work is delivered. The new systems are highly dependent on digital/ electronic systems.

The organisational changes that are being introduced as a result of contracts that CIVICA is delivering to local authorities are extensive. These services transform the work of local authority workers, through the use of ‘agile’ working, workflow and electronic data systems. They also facilitate the implementation of other government policies, e.g. welfare reforms,[[22]](#endnote-22) and reduce costs. They are being introduced at a time when local authorities are being forced to reduce their budgets and their workforces. This is leading to a situation where the majority of local authority services are commissioned by local authorities but delivered by private contractors, using electronic systems. This has implications for the future of local authorities, which will become hollowed out organisational shells, with small workforces.

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21. Central Queensland News 5 June 2013, Staff fear IT security hole Committee search for solutions and 10 July 2013Council's technical issues still being worked out [↑](#endnote-ref-21)
22. Local Government Chronicle,20 June 2013 [↑](#endnote-ref-22)