

Cabinet Background documents



9. Investing in our Borough (Pages 3 - 10)

Cabinet Member: Cabinet Member Resources & Financial
Governance, Councillor Callton Young

Officer: Interim Executive Director Resources, Asmat Hussain

Key decision: no

JACQUELINE HARRIS BAKER
Council Solicitor and Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Victoria Lower
020 8726 6000 x14773
020 8726 6000
victoria.lower@croydon.gov.uk
www.croydon.gov.uk/meetings

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Contract Award Report

Date of meeting	25 February 2021
By	Catherine Black, Head of Payments, Revenues, Benefits & Debt
Title	Contract Award for 7 year Hosted IT Solution for Revenue and Benefits
Project Sponsor	Chris Buss Interim Section 151 Officer
Lead Member	Cllr King Cabinet Member for Croydon Renewal Cllr Young Cabinet Member for Resources and Financial Governance
Key Decision	1121CRenewal The notice of the decision will specify that the decision may not be implemented until after 13.00 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.

1. Recommendations

The Leader of the Council has delegated to the Cabinet Member for Croydon Renewal in consultation with the Cabinet Member for Resources and Financial Governance the power to make the decisions set out in the recommendations below

- 1.1 The Cabinet Member for Croydon Renewal in consultation with the Cabinet Member for Resources and Financial Governance is recommended to approve the contract award to Northgate Public Services (UK) Limited for a term of 7 years (5 years +1+1) to supply and support a hosted IT solution for Revenue and Benefits with a maximum contract value of £1.35M

2. Background & strategic context**Current position**

The Revenues and Benefits service administer collection of Council Tax, Business rates and payment of benefits to residents for the council. Income of £342million is collected annually. And Benefits of £205million are paid annually (2019/20 figures). The IT system is a key tool in delivering the services.

Strategic Context

The Council is facing significant budget pressures and has embarked on a programme of work to elicit contract savings. The Council has written to suppliers asking for ideas to reduce contract costs. The Revenues and Benefits service had been exploring way to reduce costs through collaboration with the supplier and better utilisation of the suppliers' tools.

Current software for Revenues and Benefits is supplied, supported and hosted by Northgate Public Sector (UK) Limited. (Northgate). The service have approached Northgate in order to discuss ideas for contract savings and negotiate a real saving.

The result of those discussions is an offer from Northgate to lower the cost to the Council in exchange for committing to a contract for at least 5 years. This will yield a real reduction to contract charges of 12% in year one and equates to a 19% saving over 7 year (assuming Bank of England's target inflation rate of 2.5%) as there will be no annual indexation for the first 5 years. The detail is set out in section 3 of the report.

This will result in the Council paying the lowest price nationally for a fully hosted Northgate Revenues and Benefits service.

Croydon Renewal Plan

This cloud hosted solution is used for a core statutory service offering to residents, and to drive efficiency savings through the use of the technology and the negotiated contract savings.

Corporate Plan 2018-2022

The corporate plan sets an objective that our residents can access services easily online, 24 hours a day.

Digital Strategy 2019-2022

This solution meets the digital strategy by being cloud hosted and is a platform for further development of automation tools.

Medium Term Financial Strategy 2019

The MTFS sets out a savings target for the Council - the contract saving will contribute towards those targets.

Background

The council has been contracted with Northgate for a Revenues and Benefits for a hosted solution, the original contract term was approved at the Council's Contracts and Commissioning Board on 30 April 2015 reference number CCB0995/14-15. In accordance with the terms and conditions of the original contract an additional 1 year extension and 1 year variation was agreed by the Council's Contracts and Commissioning Board on 5th July 2018 reference number CCB1380/18-19. The cabinet member's executive decision reference number for this extension and variation is 2418FR

Total contract value to date has been £1,155,000.

Note the contract term ended in October 2020 and the contract rolled over which was not compliant with the Council regulations. A variation report for a one year extension was prepared and signed off in April 2020 by finance, legal, HR, Equalities procurement governance and the lead member but was never presented to CCB or Members.

The available options considered are set out on next page

Options Appraisal

- a) Extend current contract - Continue of current terms by means of extending the contract
- b) Multiple vendors procurement - Engage in a multi-vendor full procurement exercise
- c) Direct award to current supplier - Seek best terms with current provider for a compliant "direct award" using a framework.

Option	Advantages	Disadvantages/risks
a) Extend current contract	<ul style="list-style-type: none">• No disruption to service• Least effort	<ul style="list-style-type: none">• Does not achieve contract savings• Potentially open to challenge• PCR regulation 72 risk
b) Multiple vendors procurement	<ul style="list-style-type: none">• No PCR risk• Provides competition	<ul style="list-style-type: none">• The market is very limited• Two suppliers share 85% of market offering products with similar performance costs and outcomes• Disruption to service if different supplier chosen• Other systems do not offer any significant advantages or functionality• Dual running costs before switch to new system• Procurement costs• Implementation costs

		<ul style="list-style-type: none"> Resource implications for what is a major programme of work
<p>c) Direct award to current supplier via a compliant CCS framework call off</p>	<ul style="list-style-type: none"> No disruption to service Compliant with PCR Achieves contract saving Avoids costs of change <ul style="list-style-type: none"> The cost of procurement. The cost of implementation of a new system The likely reduction on service performance in early life of a new system. NB: the housing department spent £2m on procuring a new housing system Current supplier has offered to provide to LBC at the lowest cost supply in UK Current supplier has offered functionality that is denied to other Councils and will enable LBC to control staffing costs. 	<ul style="list-style-type: none"> May not yield lowest possible contract price which a competition might achieve <ul style="list-style-type: none"> See left

The recommend option is c) contract with the current supplier for a direct award via a compliant CCS framework call off

3. Financial implications

Financial outcome summary

Section 114

The requirement is considered to meet the essential spend criteria and has been approved by the Interim S151 Officer Chris Buss on 17/02/2021.

Following the Council issuing Local Government Act Section 114, the expenditure meets the following essential spend criteria:

- expenditure to better the situation

The proposed strategy will deliver contract saving if the Council enters into a future term contract with the current supplier for this service. A saving of £9000 attributable to the period from Nov 2020 to March 2021 will be credited back, savings of £26k in the first year of the service and £323k over the 7 years of the contract.

- expenditure required to deliver the council's provision of essential statutory services at a minimum possible level

The IT solution is essential for administration of collection council tax and business rate revenues and the payment of benefits to residents.

Capital (one off) impact

The one off often capitalised costs of system change are avoided.

For comparison the housing department project to procure a new system was circa £2million excluding the cost of the software, service and implementation costs. There is therefore no financial capital impact.

Revenue impact

The saving over 5 years is £210k

The saving over 7 years is £324k

The saving in the first year is £27k

The saving attributable to 2020/21 is £9k

The Northgate offer is to lower the cost to LBC service such that it is lowest hosted supply NPS provide

This equates to a 19.5% saving over 7 years saving £324k

The cost in the first year is 12% less than the current cost

The previous contract was subject to annual indexation. The Northgate offer is not subject to any indexation of the first 5 years

So that compared with the current contract the saving is 19.5% cheaper (if one assumes an inflation rate of 2.5%. “.5% pa is the Bank of England’s target inflation rate.)

Assessing the cost of the service by reference to average annual cost per taxable property LBC is currently pays £1.38 per year. LBC is already obtaining reasonable value for money from its supplier with 17 of Northgate’s 21 current customer councils currently paying more.

Savings to contract charges over 7 years compared to current contract charges.

Table 1

	Current Contract costs	Proposed future contract (Lower and non-escalating for first 5 years)	£ savings compared to current contract	% savings compared to current contract
first year cost	£ 216,394	£ 189,784	£ 26,611	12.3%
5 year cost	£ 1,155,099	£ 944,918	£ 210,181	18.2%
7 year cost	£ 1,658,577	£ 1,334,686	£ 323,891	19.5%

inflation rate years 1 to 5	2.5%	0.0%		
inflation rate years 6 to 7	2.5%	2.5%		

Current cost, year 0	£ 216,394	£ 189,784	£ 26,611	
Year	Current contract costs projected forward with costs escalating by inflation as terms of current contract	Future costs of fixed for first 5 years under proposed contract	Year by year savings	
1	£ 219,754	£ 189,784	£ 29,970	
2	£ 225,248	£ 189,784	£ 35,464	
3	£ 230,879	£ 189,784	£ 41,095	
4	£ 236,651	£ 187,784	£ 48,867	
5	£ 242,567	£ 187,784	£ 54,784	
6	£ 248,631	£ 192,478	£ 56,153	
7	£ 254,847	£ 197,290	£ 57,557	

The contract costs are funded from existing revenue budgets.

Details	Internal Capital	Revenue	Period funding	of	External		Period of funding
					Capital	Revenue	
C13768	0	£ 214,400	2019/20				
C13768	0	£ 216,394	2020/21				
C13768	0	£ 189,784	2021/22 to 26/27				

4. Supporting information

Discussions to achieve contract savings with the supplier had been underway and the dispatch of contract saving letters by the corporate savings project team led to the service having further discussions with Northgate. A written proposal was received from the supplier who are able to offer a compliant route to contract via a CCS Framework and offer a saving.

The department is keen to save avoidable expense e.g.

Project costs

Procurement and implementation costs associated with replacement systems are expensive and time consuming. Recently within the Council; The Social Care and Education Management systems implementations cost £2m, Oracle MyResources £5m+ while the pre contract signature costs the new housing system were £2m. NB: All preceding figures do not include license costs.

We anticipate that a generous budget for a competitive tender process for NPS is £380,000 and we are keen not to incur these costs by – seeking best terms from the current supplier with a Direct award to Northgate Public Services via a compliant CCS framework call off

- Internal managers *2 for one year backfilled = £120,000
- Internal Support * 2 for one year back filled = £80,000
- External assistance * 180 days = £180,000
- Wider staff involvement = TBC

We are also seeking to save migration costs to an alternative supplier and system of £750,000 made up of

- Project management – external – 1 year = £140,000
- Data migration – backfilled 2 * 1 year = £80,000
- Internal process change 2 * external and Training = £210,000
- Trainer assumed internal without backfill £FOC
- Trained back filled = £120,000
- Additional support for early life limited effectiveness = £200,000

Revenue Collection impact

New systems always present a risk of a depressed operational performance.
For the Revenue department is a risk of reduced Council Tax receipts.

Terms of contract award

5 years initial term with 2 extension periods each of 12 months totalling 7 years (5+1+1)

Lower operational costs

The proposed Northgate offer provides a platform to introduce no or low cost solutions that will facilitate further savings
We will bring a further report to this board on these matter when we have quantified the possible savings.

Procurement Route

The CCS framework RM3821 DATA AND APPLICATION SOLUTIONS Lot 2a (business application) underpinned by the Framework terms and conditions is a compliant route to contract and offers a call from the government e-marketplace as a direct award provided two conditions are met:

Call offs can be completed where:

- The requirement must be intrinsically linked to a system already within the customers organisation
The system is already in use at Croydon
- The products they are looking to award must be present on the Government eMarketplace
Northgate already publish a catalogue entry for the solution on the government e-marketplace on line catalogue and are publishing an updated entry based on the current solution reflecting the negotiated price offer.

This is a low risk option. The approach is allowed for under the framework and the supplier Northgate has previously published a service offering for the system via the framework online catalogue on the Government eMarketplace. The contract will be called off in accordance with Crown Commercial Services published guidance for conducting a catalogue award.

TUPE and staffing implications

None. Northgate serve multiple customers, there are no Northgate staff dedicated to the Council – and as there is no change to supplier there are no TUPE issues. For Croydon any requirements to retrain staff to learn new IT systems and processes are avoided.

Contract management strategy and owner

The revenues and benefits service already manage contract arrangements with Northgate with the contract “owned” by the Head of Payments, Revenues, Benefits & Debt. There are regular account meetings. Northgate provide periodic reporting, an account manager and contract escalation routes than have been used rarely but effectively in the past.

Contract management reviews include systems performance and availability, roadmap for developments and improvements and response to any faults raised. There is also an active user group sharing best practise, information and collaborating on change requests and enhancement requests to the supplier.

Exit arrangements

No exits arrangement required from current contract since there will be a continuance with the current supplier. The contract will contain exit provisions and obligations to secure council data and ensure appropriate destruction where necessary. Looking forward to the end of this contract we are confident all information can be extracted for any future alternative solution by placing obligations in an Exit schedule within the contract.

The contract envisages and makes provision for the complete replacement of Housing Benefit by Universal Credit as a result of legislative changes.

Equalities:

A detailed / full Equality Analysis has not been undertaken for the following reason(s):

An Initial Equality Analysis was undertaken to assess the likely adverse impact the contract award would have on protected groups compared to non-protected groups. The analysis concluded that a full equality analysis will not be required due to the fact that the contract award would not have any adverse impact on protected groups compared to non-protected groups. This has been approved by the Equalities Officer on 26 January 2021

Additionally the expected terms of the contract include the obligations for Corporate Social Responsibility, Equality and Accessibility. In addition to legal obligations, the Supplier shall support CCS and the Buyer in fulfilling its Public Sector Equality duty under S149 of the Equality Act 2010 by ensuring that it fulfils its obligations under each Contract in a way that seeks to:

- 2.1.1 eliminate discrimination, harassment or victimisation of any kind; and
- 2.1.2 advance equality of opportunity and good relations between those with a protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage and civil partnership) and those who do not share it

Social Value:

The services supplied are delivered remotely by specialist provider. Economies are achieved by the Supplier personnel providing a common service to many similar clients meaning the provision does not lend itself to the Council's localism and social value agenda.

The corporate responsibility offer from Northgate includes a volunteering scheme for Northgate employees to support local organisations and this remains in place. Northgate were asked if they would be able and willing to include social value element in their proposition. Northgate would be willing and have social value solutions. However the cost of such social value solutions would be added to the contract price and the Council would not achieve the savings offered.

Living Wage:

The services NPS requires skilled and specialist staff. The market wages for such are significantly higher than the National Living Wage. Northgate have agreed to include a commitment to the National Living wage.

Premier Supplier Programme

Northgate were asked if they wished to sign up to the PSP. They declined.

Financial health

Northgate have recently been sold by private equity fund and purchased by a well-funded large conglomerate, NEC as such they have the backing of a global, financially healthy parent company.

DATA PROTECTION IMPLICATIONS

The subject matter within the report will involve the processing of personal data. The data includes names and address of residents within the Borough who are liable to pay Council Tax as well as names and addresses including dates of birth of all residents who make a claim for Housing Benefit and or Council Tax support. We may process special category data including details of Severe Mental Impairment and therefore we have additional security in place to protect the processing of special data eg there is system security in place to protect the data held on the system, restricted access, password protection, PC encryption. All staff are required to complete GDPR training. All members of Croydon Council staff who access and update the data are contractually obliged to comply with a strict code of conduct and GDPR requirements.

The same security is in place for the processing of personal data, and third party stakeholders who receive this data are obliged by the same security measures and restrictions.

A privacy impact assessment has previously been completed for this system and updated to include stakeholder and the processing of personal data following advice and guidance from Information Management.

5. Conclusion and reasons for recommendations

Continuing to utilise the Northgate Revenue and Benefits solution

- provides for the continued delivery of a statutory service
- enables the Councils income collection through Council Tax and NNDR.
- avoids a range of capital costs - Procurement, implementation/migration and training.
- avoids the risk of degraded income collection associated with system change or the resource costs of mitigating such losses
- Delivers in year savings and 7 year savings of £324k (19%)

The Council is able to award using a compliant framework thereby meeting the requirements of council regulations and Public Contract Regulations and has the benefit of Crown Commercial Service terms and conditions for the call off.

Consideration was given to running a tender – that presented a risk of potential change to systems. Varying the current contract was considered however the council is technically out of contract and would have been a procurement risk.

6. Outcome and approvals

Outcome	Date agreed	
<i>Approved</i>	Interim S151 Officer Chris Buss & Deputy S151 Officer Matthew Davis	<i>17/2/21</i>
	Legal Services Sonia Likhari	<i>22.2.2021</i>
	Head of Finance Geetha Blood	<i>22.2.2021</i>
	Human Resources (if applicable) n/a	<i>n/a</i>
	C&P Head of Service Scott Funnell	<i>22.2.2021</i>
	Lead Member Cllr King	<i>24/2/2021</i>
	CCB	<i>CCB1660/20-21 25/02/2021</i>

7. Comments of the Council Solicitor

There are no additional legal considerations directly arising from the report

Approved by Sonia Likhari on behalf of the Director of Law and Governance

8. Chief Finance Officer comments on the financial implications

No additional comments

Approved by Geetha Blood on behalf of the Chief Finance Officer