

Item No.	Classification: Open	Date: 19 June 2019	Meeting Name: Strategic Director of Finance & Governance
Report title:		Gateway 3 – Variation Decision Northgate revenues and benefits managed services	
Ward(s) or groups affected:		Electoral ward(s); key groups affected	
From:		Director of Exchequer	

RECOMMENDATION(S)

1. That the Strategic Director of Finance and Governance approves the extension of the revenues and benefits information technology managed service contract with Northgate Public Service (UK) Ltd for a period of two years from 1 July 2019 to 30 June 2021 at an estimated yearly cost of £887,500 and total contract cost of £1,775,000.

BACKGROUND INFORMATION

2. The council approved a five year contract covering the period 1 July 2014 to 30 June 2019 in order to maintain stability.
3. The original contract was awarded to Northgate Information Solutions UK Limited but have since changed their name.
4. At the time of the original contract the introduction of Universal Credit (UC) was in its initial planning stages and the impact on the council was unknown. The Universal Credit transition timetable was due to impact Southwark between 2016 and 2018. However, progress has been much slower than anticipated and as the DWP continues the planned roll out of UC to the remaining Jobcentre areas it is also planning the transition to UC of more complex Housing Benefit claims called managed migration.
5. As planning for this is now not scheduled until 2020 considerable uncertainties remain regarding the transition process the DWP will apply. Therefore a stable platform for the processing of Housing Benefit claims is essential during this continuing time of uncertainty.
6. Given the nature of the changes relating to Universal Credit the council is also currently reviewing its Council Tax Reduction (CTR) Scheme to align it with information available from the DWP.
7. In addition the council has recently entered into a contract with Northgate Public Services Housing for the provision of all Housing services including billing and collections of rents, leaseholds and repairs with an expiry date of 30 June 2021. This two year contract will therefore align the two contract end dates and provide the council with the opportunity to review the market place for both service areas and take advantage of any efficiency opportunities when considering future provision of this service.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

8. The nature of this proposed variation is to extend the existing contract by two years

Reasons for Variation

9. In summary the key reasons for the extension are:
- The existing contract has an end date of 30 June 2019.
 - Maintains a stable platform during the uncertainty and unknown impact of UC managed migration.
 - The existing supplier has developed a bespoke level of integration to assist the council in achieving processing savings through greater alignment of its CTR scheme.
 - It aligns the end date with the NPS Housing contract so potentially providing a good market position for the council with other providers.
 - The existing supplier has provided an excellent, stable and consistent service since the start of the contract.

Future Proposals for this Service

10. The proposed extension will enable management to undertake a strategic review of Exchequer and Housing systems at a time when greater clarity will be available in relation to the impact of Universal Credit.

Alternative Options Considered

11. Do nothing – not an option as this is a statutory requirement.
12. Do in-house – the council does not have the capacity or knowledge to build a system to the specifications required by the users.
13. Given that the uncertainty of the impact of UC and managed migration continues along with points raised in paragraphs 2 to 7 the council believes that this approach removes any impact on the service over the next two years.
14. Due to the extension of the NPS Housing contract to 30 June 2021 it makes business sense to review both contracts at the same time.
15. No other provider is able to deliver the bespoke requirements and level of integration required for its CTR scheme within timescales.

Identified risks for the Variation

16.

	Risk Identification	Likelihood	Risk Control
R1	Provider not interested in providing the service for the extension period.	Low	Agreement in principle for the extension has been reached with the current provider

R2	Service disruption	Low	It is anticipated that there will be limited disruption during the contractual period as the extension will ensure continued service
R3	Continued value for money	Low	The council has benchmarked this service and believes we have value for money
R4	Legal challenge	Low	The procurement regulations permit the council to negotiate with a provider where it is not possible to re-procure the service due to technical reasons. Given the extension is only required whilst the council awaits the outcome of the managed migration, and the existing supplier has developed a bespoke level of integration, this results in the council not being in a position to be able to go to the market for this service at this time

Policy implications

17. An effective managed service contract is necessary to support the wider aims of exchequer services including reducing worklessness in the borough and continues to ensure more efficient processing of housing benefit and council tax reduction claims.
18. The service provided will assist the council in achieving the fairer future principles by ensuring fast and efficient processing of council tax thereby maximising income for the council.

Contract management and monitoring

19. Exchequer services already monitor the day to day performance of Northgate. No additional resources are required as consequence of this extension to the contract.
20. A robust governance process is already in place and there is a formal monthly performance meeting which is recorded and actions and progress monitored.
21. A performance and compliance report will be delivered to DCRB every six months.

Community Impact Statement

22. The revenues and benefits operation is a front line service affecting the wider community and in particular some vulnerable customers within Southwark. To ensure the effective administration of the service an effective and stable revenues and benefits information technology managed service will ensure payments of the housing benefit are received on time thereby reducing the potential for homelessness within the community.
23. Efficient processing of benefit claims ensures that some of the most vulnerable in the borough receive appropriate support to maintain financial stability in relation to housing support or council tax liability. This contract provides a stable platform

that enables the council to maintain processing of these services providing support for those most in need.

Social Value considerations

24. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations are set out in the following paragraphs in relation to the commitments to be delivered under the proposed contract.

Economic considerations

25. The efficient and effective collection of council tax and business rates revenue supports the wider economy within Southwark. This contract will support the aims of exchequer services by ensuring that council tax and business rates are collected more efficiently and effectively to help sustain services within the council.

Social considerations

26. Given the service is provided outside the London area the London Living Wage does not apply to this contract

Environmental/Sustainability considerations

27. Exchequer services minimises the use of paper through provision of a document imaging system provided under this contract.

Financial Implications

28. The estimated cost of the contract will be covered by existing budgets.
29. The cost of the two year extension is estimated to be £1,775,000.

Legal Implications

30. Please see legal concurrent.

Consultation

31. Not relevant for this type of service.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

32. This report seeks the approval of the Strategic Director of Finance and Governance for an extension of the revenue and benefits technology service contract with Northgate Public Service UK Ltd. The extension is for a period of two years from 1 July 2019 until 30 June 2021. The estimated annual cost is £887,500.
33. A successful implementation of the rollout of universal credit is a key priority and challenge for the council and a two-year extension of the current service provider should provide greater security of provision.

Head of Procurement

34. This report seeks the approval of the Strategic Director of Finance & Governance for an extension to the revenues and benefits information technology managed service contract with Northgate Public Service for a period of two years. This would cover the time period 1 July 2019 to 30 June 2021 and have an estimated annual cost of £887,500, making an additional cost for this extension of £1,775,000.
35. The uncertainty of the roll out of Universal Credit that is outside the council's control, together with technical reasons linked to the processing of the current information that is confirmed in the risk table in paragraph 15, means that the contract cannot feasibly be delivered other than by the incumbent provider.
36. The plans for the monitoring and management of the contract are set out in paragraphs 19-21. The report confirms in paragraph 26 that LLW is not applicable under the contract as this is based outside London.

Director of Law and Democracy


37. This report seeks the approval of the Strategic Director of Finance and Governance to the extension of the revenue and benefits contract with Northgate Public Service for a period of 2 years from 1 July 2019, as further detailed in paragraph 1.
38. The scope and value of the variation means that the variation is subject to the EU procurement regulations (Public Contract Regulations 2015 – PCR15). However Regulation 32(2)(b) permits the council to negotiate for services to be provided, without prior publication in OJEU, where those services can only be supplied by a particular economic operator because competition is absent for technical reasons, where no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement. As noted in paragraphs 8 and 14 of this report, Northgate has developed a bespoke level of integration for the council, which given the uncertainty of the impact of UC and migration required, would not be reasonably possible to be re-procured at this time. The Strategic Director is advised that when relying on any ground for exemption from the requirements of the PCR 2015, there is a potential risk of challenge on the basis that insufficient grounds exist to justify that negotiation. However as noted in paragraph 15, it is believed that the council does have grounds to negotiate for the reasons noted in the report.
39. As the contract variation falls within the grounds noted in contract standing order (CSO) 6.6.3(c) then the decision to vary is reserved to the Strategic Director of

Finance and Governance, after consideration of the report by CCRB. CSO 2.3 requires that no steps are taken to vary a contract unless the expenditure has been approved. Paragraphs 28-29 confirm the financial implications of this variation.

1.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature  Date 19.6.19

Designation Strategic Director of Finance and Governance.....

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)

As set out in the recommendations of the report.

2. REASONS FOR DECISION

As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

As set out in the report.

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

None.

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

N.A.

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

I declare that I was informed of the conflicts of interests set out in Part B4.*

(* - Please delete as appropriate)

BACKGROUND PAPERS

Background Papers	Held At	Contact
GW2	Finance & Governance	Fiona Ives 50115

APPENDICES

No	Title

AUDIT TRAIL

Lead Officer	Dominic Cain – Director Of Finance	
Report Author	Fiona Ives – Head of Support Services	
Version	Final	
Dated	19 June 2019	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	Yes/No	Yes/No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes

Cabinet Member	Yes/No	Yes/No
Date final report sent to Constitutional/Community Councils/Scrutiny Team		19 June 2019

