

Item No.	Classification: Open	Date: 19 May 2021	Meeting Name: Cabinet Member for Finance, Business and Jobs
Report title:		Gateway 1 Procurement Strategy Approval Revenues & Benefits information technology contract	
Ward(s) or groups affected:		All Wards	
From:		Director of Exchequer Services	

RECOMMENDATION

1. That the Cabinet Member for Finance, Business & Jobs agrees the procurement strategy to explore the use of the Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework for a potential direct award with Northgate Public Services (NPS), for the delivery of a cloud based revenues and benefits information technology support and maintenance managed service, for a four year period from 1 July 2021 to 30 June 2025 with an estimated value of £800,000 per annum totalling £3.2m for the 4 years.

BACKGROUND INFORMATION

2. The Strategic Director of Finance and Governance approved the Managed Service contract to Northgate from 1 July 2014 for five years and the option to extend for two years taking the end date to 30 June 2021.
3. The Managed Service contract included the hosting and database administration of the two key systems in revenues and benefits (i-World and Information@work), it also included the scanning and indexing of all documents received and the production and distribution of all system-generated documentation and provision of govmail which provides individual remote printing.
4. The service consists of the administration of the housing benefit and council tax reduction scheme, collection of council tax and business rates, associated hosting of servers, database administration, printing of documentation and document imaging.
5. In addition to the managed service requirements Northgate provides a cloud based hosting service.
6. The Cloud solution is based on shared Oracle UNIX and HP Windows platforms and SAN storage solution. Clients are allocated virtual environments configured to their specific processor, memory and storage requirements.
7. There are a number of existing complex interfaces including housing rent accounts, cashiers receipting and document imaging.

8. Northgate currently delivers all Revenues and Benefits printing requirements which includes production of all council tax and business rate bills, housing benefit notification letters, rent letters and associated recovery documentation.
9. The document imaging system, information@work, is delivered from Northgate's processing centre.
10. The housing benefit and council tax reduction scheme (CTRS) caseload is one of the largest in London with 31,154 claimants of which 19,806 are housing benefit claims only. The net annual collectable debit for council tax is £152m, and for business rates is £225m.

Summary of the business case/justification for the procurement

11. The existing contract includes the hosting, support and maintenance of the key applications required for the administration of the revenues and benefits service. This contract ends on the 30 June 2021.
12. The council has a legal obligation to provide a revenues and benefits service to the residents of Southwark which requires a platform to administer this service.

Market considerations

13. At the time the council approved the two year extension there was uncertainty of the pace of Universal Credit (UC) roll out and this continues today. Whilst there are other providers in the market place it is not recommended to change provider at this time of uncertainties and given the impact of Covid-19.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

14. Following the implementation of UC in November 2016 the housing benefit caseload reduced and continues to do so. However, the Department of Works and Pensions (DWP) planned transition to UC of more complex Housing Benefit claims called 'managed migration' was expected to have taken place by now.
15. The delay on 'managed migration' continues to this day as early testing had started in Yorkshire in 2019 but was indefinitely suspended in March 2020 due to the impact of Covid-19. The DWP has already given an assurance that local authorities will be given one year's notice of when managed migration will begin. To date the council has not received the 12 month notice of the planned managed migration and the council is unaware of any other local authority which has. Therefore the earliest the managed migration will start is May 2022. However, it is anticipated that it will be much later given the current uncertainties regarding Covid-19.
16. The rate of migration to the DWP is slower than the council had originally anticipated when the rollout of 'full service Universal Credit' commenced in 2016.

The main reasons for this are due to the DWP changing the criteria of the cases that migrate such as temporary accommodation and supported accommodation cases. These cases remain with the council with no plan to move across to UC in the short term.

17. The provision of IT for the revenues and benefits service is a critical area of the service that requires stability and minimal disruption to ensure effective administration.
18. The point when the council's housing benefit caseload significantly drops off leaving just CTRS claims would be the appropriate time to consider alternative options. It is also worth noting that the government's furlough scheme is currently due to end in September 2021 and the impact on CTRS numbers remains unknown given that it is anticipated many jobs at that point will be redundant.
19. A contract period of four years will allow for the completion of Universal Credit roll out and managed migration and for the impact of Covid-19 on the service to be fully evaluated. Having a period of four years will give adequate time to explore the market place for alternatives and to procure and carry out a transitional implementation plan if an alternative provider proved to be the best option for the council.

Proposed procurement route

20. The options for procurement route are as follows:

- a. Do nothing – the council would not be able to fulfil its legal commitments to provide a revenues and benefits service. Therefore this option is not appropriate.
 - b. Public Contract Regulations 2015 procurement, to undertake a competitive process in accordance with the PCR. This option is not appropriate as the council needs to continuously provide this service for reasons given in paragraphs 15 to 20 and to change providers at this point is not recommended.
 - c. To extend the current contract. This is not an option under the current contract.
 - d. The council to provide the service itself. This is not an option as the council does not have the expertise in-house to undertake such a large complex system development.
 - e. Procure through the CCS Data Applications Solutions framework. This is our preferred option as this is the framework that provides what is needed.
21. The DAS framework, which is part of the CCS, provides a procurement framework that adheres to the Public Contract Regulations which allows public sector organisations the ability to buy, implement, test and deliver a broad range of software solutions, as well as essential hardware and professional services, in one procurement. It offers customers the choice

to buy Cloud and on-premise software or a combination of both under one agreement. This framework has an end date of 22 February 2022.

22. DAS allows customers the choice of further competition or direct award route to market depending on the nature of the requirement. The council has decided the direct award approach best suits its requirements at this stage.

Identified risks for the procurement

23. The table below identifies the risks and the mitigation actions:

	Risk Identification	Likelihood	Risk Control
R1	Challenge to direct award through the framework.	Low	The DAS framework allows direct award.
R2	Contract award delayed.	Low	Ensure internal processes in place, on forward plan, legal and procurement support in place.
R3	Impact of Covid-19.	Low	The provider has continued to provide a good service during Covid-19 and expected this would continue under the new arrangement.
R4	Impact of delayed Managed migration of Universal Credit.	Low	The service provider will continue to provide the same level of service during any managed migration that will take place over the next four years.
R5	The value of the contract increases.	Low	There have been some initial soft market testing to fix the price and more details will be provided in the Gateway 2.

Key /Non Key decisions

24. This report deals with a non key decision

Policy implications

25. An effective IT service is necessary to support the wider aims of the revenues and benefits service including reducing worklessness in the borough by ensuring more efficient processing of housing benefit and council tax support claims.

Procurement project plan (Non Key decisions)

Activity	Complete by:
DCRB Review Gateway 1:	22/04/2021
CCRB Review Gateway 1:	29/04/2021
Brief relevant member (over £100k)	04/05/2021
Notification of forthcoming decision	18/05/2021
Approval of Gateway 1: Procurement strategy report	24/05/2021
Forward Plan (if GW2 is key decision)	01/03/2021
DCRB Review Gateway 2: Contract award report	27/05/2021
CCRB Review Gateway 2: Contract award report	03/06/2021
Notification of forthcoming decision (if GW2 is key decision)	09/06/2021
Approval of Gateway 2: Contract Award Report	17/06/2021
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	28/06/2021
Contract award	30/06/2021

TUPE/Pensions implications

26. As the recommended approach is to undertake a direct award to the current provider and there is no change of suppliers it is considered that TUPE/Pensions implications are not applicable.

Development of the tender documentation

27. The DAS framework has standard contract documents, which will be reviewed by legal, procurement and finance officers.

Advertising the contract

28. There is no need to advertise this opportunity as the award (if approved) is to be via a direct award through the framework, which has already been procured through a competitive process.

Evaluation

29. Given that the council is entering into a contract via a framework work will be undertaken to demonstrate that value for money is being achieved. The council is currently in talks with Northgate and there will be further

discussions after the Gateway 1 is signed off. The council has confirmed with NPS there will be no RPI applied for the four year contract.

Community impact statement

30. 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 a robust IT platform is required to ensure payments of the housing benefit are received on time thereby reducing the potential for homelessness within the community.
31. The service has continued to improve and adapt to the changing legal requirements and any change to the service at this stage without a longer term planned transitional programme would impact on the council's ability to assist those most in need in a timely manner.

Social Value considerations

32. 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 details of how social value will be incorporated within the tender are set out in the following paragraphs.

Economic considerations

33. The estimated cost over the four year contract period is £3.2m and can be met within existing budgets.

Social considerations

34. The council will be reviewing the framework to see if London Living/ Living wage applies and this will be confirmed in the gateway 2.

Environmental/Sustainability considerations

35. The supplier will provide the council with a document imaging scanning and indexing service, generating a paperless office environment and supporting the council's modernisation agenda, reducing the need for storage and generating efficiencies.

Plans for the monitoring and management of the contract

36. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.

37. The revenues and benefits service has a fully established applications support team that has proven capability to deliver day to day system monitoring and reconciliation tasks.
38. In addition, within the revenues and benefits structure, the Head of Support Services has overall responsibility for the monitoring and management of the day to day performance of the services provided.
39. The existing SLAs, performance indicators and contractual deliverables are expected to be replicated within the new contract. A robust governance structure is already in place to ensure performance monitoring takes place and issues are escalated. Performance is monitored on a daily basis and records kept of any downtime. A formal contract review of performance takes place on a monthly basis.
40. It is anticipated that these existing contractual performance mechanisms will remain for the new contract. Annual performance review will also be undertaken in accordance with contract standing orders.

Staffing/procurement implications

41. It is anticipated that the procurement project requirements will be met within existing resources.

Financial implications

42. The cost of this contract is expected to be £3.2m. This is for the provision of services over a four year period. The estimated £800,000 cost per year will be met from the existing revenues and benefits divisional budget cost code CR600 66502. Although some elements are variable it is anticipated that these will be managed within existing resources.

Investment implications

43. There are no investment implications as it is a continuation of existing service already in place.

Legal implications

44. Please see concurrent from the Director of Law and Governance.

Consultation

45. There is no requirement for consultation in the letting of this contract.

Other implications or issues

46. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

47. This report seeks the approval of the Cabinet Member for Finance, Business & Jobs for the procurement strategy to explore the use of the Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework for a potential direct award with Northgate Public Services (NPS), for the delivery of a cloud based revenues and benefits information technology support and maintenance managed service. The proposed contract period is for a four year from 1 July 2021 to 30 June 2025 with an estimated value of £800,000 per annum, totalling £3.2m for the 4 years.
48. The report confirms the options for procurement in paragraphs 14-19, with the recommended route set out in paragraphs 20-22.
49. London Living Wage will be confirmed and explored as part of the tender process, confirmed in paragraph 34. The plans for the management and monitoring of the contract are set out in paragraphs 36-40.

Director of Law and Governance

50. This report seeks the approval of the Cabinet Member for Finance, Business & Jobs to the procurement strategy to explore the use of the Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework for a potential direct award with Northgate, for the delivery of a cloud based revenues and benefits information technology support and maintenance managed service as further detailed in paragraph 1 of this report. As the value of these services exceeds £2m, but is below £4m the decision is reserved to the relevant individual decision maker, after consultation of the report by CCRB.
51. As the value exceeds the thresholds set by the Public Contract Regulations 2015 (PCR15) the procurement is subject to the tendering requirements of those PCR15 requirements. However as noted in paragraphs 21 and 22, the intention is to undertake a mini-competition through the CCS DAS framework, which has been established following a PCR compliant process, and allow local authorities to use for their own requirements. The tendering requirements of the PCR15 are therefore satisfied provided that the council operates the procurement in accordance with the framework rules for undertaking a mini-competition through the framework.
52. The Cabinet Member's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The Cabinet Member is specifically referred to the community impact statement at paragraphs 30-31, setting

out the consideration that has been given to equalities issues which should be considered when approving the recommendations in this report.

Strategic Director of Finance and Governance (F&G21/001)

- 53. This report seeks approval to explore the use of the Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework for a potential direct award with Northgate Public Services (NPS).
- 54. The key considerations are noted in paragraphs 14 to 19 particularly that the provision of IT for the revenues and benefits service is a critical area of the service.
- 55. The strategic director of finance and governance notes the financial implications within the body of the report.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
None		

APPENDICES

No	Title
None	

AUDIT TRAIL

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 Governance	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team		18 May 2021