

Item No.	Classification: Open	Date: 24 June 2021	Meeting Name: Cabinet Member for Finance, Performance and Democracy
Report title:		Gateway 2 - Contract Award Approval Cloud based Revenues & Benefits Information Technology Managed Service	
Ward(s) or groups affected:		All	
From:		Director of Exchequer Services	

RECOMMENDATION

1. That the Cabinet Member for Finance, Performance and Democracy approves the direct award using the Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework for the cloud based revenues and benefits information and technology managed service to Northgate Public Services (UK) Ltd 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 four 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. A Gateway 1 report setting out the strategy for the procurement of the cloud based IT managed service contract for the period 1 July 2021 to 30 June 2025 was approved on the 17 June 2021.
4. The managed service contract included the hosting and database administration of the two key systems in revenues and benefits (i-World and Information@work), as well as 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.
5. 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.
6. In addition to the managed service requirements Northgate also provides a cloud based hosting service.
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 31154 claimants of which 19,806 are housing benefit claims only. The annual amount collected for council tax is £152m, and for business rates is £225m.

Procurement project plan (Key Decision)

11.

Activity	Completed by/Complete by:
Forward Plan (If Strategic Procurement) Gateway 2	30/06/2021
Briefed relevant cabinet member (over £100k)	21/05/2021
Approval of Gateway 1: Procurement Strategy Report	99/99/99
DCRB Review Gateway 2:	03/06/2021
CCRB Review Gateway 2:	10/06/2021
Notification of forthcoming decision –	14/06/2021
Approval of Gateway 2: Contract Award Report	22/06/2021
End of Scrutiny Call-in period and notification of implementation of Gateway 2 decision	30/06/2021
Contract award	30/06/2021
Add to Contract Register	08/07/2021
Contract start	01/07/2021
Publication of award notice in Find a tender	08/07/2021
Publication of award notice on Contracts Finder	08/07/2021
Contract completion date	30/06/2025

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

12. The procurement will ensure stability and maintain continuity of service over the next four years which includes the continuing challenging period of the on-going of roll out of Universal Credit and the unknown impact of Covid-19 over the next year and beyond.

13. The negotiations resulted in the withdrawal of applying RPI for the four years of the contract. No RPI will be applied to the price and due to strong negotiations has not been since 2014.

Key/Non Key decisions

14. This report deals with a key decision.

Policy implications

15. 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 reduction claims.
16. The service provided will assist the council in achieving the fairer future principles by ensuring fast and efficient processing of Council Tax and Business Rates thereby maximising income for the council.

Tender process

17. As part of the earlier soft market testing, the council agreed that the same specification for the service with the existing supplier still meets the council's requirements.
18. In line with the approach approved in the Gateway 1 report, the council entered into single supplier negotiations with the existing supplier of the R&B managed IT service, Northgate, and held a series of discussions on the differing lengths of the contract and associated approach. The service will be procured through the CCS framework.

Tender evaluation

19. The proposed managed service brings together a number of business elements that are unique and therefore prevents standard market pricing comparison. It has therefore been extremely difficult to demonstrate a price comparative with alternative contracts within the market place. In order to ensure and deliver best value the council has identified a reduction in the scanning and indexing part of the contract given the reduction in housing benefit caseload and no RPI increase.

Plans for the transition from the old to the new contract

20. The decision to award the contract to the existing provider will avoid the necessity for any transitional plans and will avoid any potential operational service disruption or risks especially during times of dealing with Covid-19.

Plans for monitoring and management of the contract

21. 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. No additional resources are required as consequence of this new contract.

22. In addition, within the Exchequer Services structure, the Head of Support Services has overall responsibility for the monitoring and management of the day-to-day performance of the services provided by the service provider.
23. A robust governance structure is already in place to ensure:
 - a. KPIs are being delivered
 - b. Performance is delivered against specification requirements
 - c. Monitoring of daily system availability and down time
 - d. Management of issues and risk log
 - e. Production of all documentation and associated reconciliations'
24. A formal contract review of performance will take place on a monthly basis and any issue that requires escalation will be referred to Northgate's Client Director as necessary for resolution. In line with CSOs, a 12 month review will be undertaken.

Identified risks for the new contract

25.

	Risk Identification	Likelihood	Risk Control
R1	Contract award Delayed	Low	Timetable in place to ensure contract signed before 1 July 2021.
R2	Transition from old contract to the new contract.	Low	It is the same service so will just continue as is.
R3	Northgate becoming insolvent	Low	Appropriate finance checks carried out.
R4	Procurement risk of direct award	Low	Direct award permitted in these circumstances.
R5	Impact of Covid-19	Low	The hosting of this service is cloud based.

Community impact statement

26. 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.
27. The service has continued to improve since 2014, 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

28. The Public Services (Social Value) Act 2012 requires that the council consider, 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 included in the specification (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the specification responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

29. The contract continues to provide a cloud based solution, which means the council does not have to procure dedicated hardware and therefore does not incurring unnecessary additional costs.
30. In securing a four year deal, the council is not incurring any RPI costs that would normally be applied to new contracts.

Social considerations

31. Northgate Public Services (UK) Ltd confirmed that all directly employed staff are paid the Living Wage (as accredited with the Living Wage Foundation) which meets the council's commitments as Northgate's offices are based outside London.

Environmental/Sustainability considerations

32. 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.

Market considerations

33. The gateway 1 report outlined the considerations of the current market suppliers and recommended single supplier procurement through Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework.

Staffing implications

34. It is anticipated that the contract resourcing requirements will be met within existing resources.

Financial implications

35. The total estimated contract value associated with this procurement is £3.2m. This is for the provision of services over a four year period commencing on 1 July

2021 to 30 June 2025. The £800k estimated cost per year will be met from the existing Exchequer Services core divisional budget from cost centre CR600. Although some elements are variable, it is anticipated that these will be managed within existing resources. An element of the current contract value is based on expected volumes. A clause in the contract allows the council to revise the volume however, this will require renegotiation of the contract value.

Investment implications

36. There are no investment implications in this contract.

Legal implications

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

Consultation

38. Provision of this service does not require consultation with residents.

Other implications or issues

39. No other issues have been identified.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (F&G21/003)

40. The Strategic Director of Finance & Governance notes the contents of this report and in particular the financial implications as set out in paragraph 35. The IT services being procured are critical to the administration of the revenues and benefits service and enable the council to fulfil a number of statutory duties.

Head of Procurement

41. This report seeks the approval of the Cabinet Member for Finance, Performance and Democracy for a direct award of a contract, using the Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework, for the cloud based revenues and benefits information and technology managed service to Northgate Public Services (UK) Ltd. The contract is 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 four years of the contract.

42. The report details in paragraphs 31 that Northgate pay the Real UK Living Wage (as set by the Living Wage Foundation) in line with the council's commitments as their offices are outside London.

43. Risks and mitigating actions are laid out in paragraph 25, whilst paragraphs 21 – 24 set out the plans for the management and monitoring of the contract.

Director of Law and Governance

44. This report seeks the approval of the Cabinet Member for Finance, Performance and Democracy to the approval of the award of contract for the cloud based revenues and benefits information and technology managed service to Northgate Public Services (UK) Ltd using the Crown Commercial Services (CCS) Data Applications Solutions (DAS) Framework, as further detailed in paragraph 1.
45. As the contract value for these service exceeds the Public Contract Regulations 2015 (PCR15) threshold of £189k, the contract was subject to the full tendering requirements of those Regulations. However, and as approved at Gateway 1 stage, the council is awarding this contract through a direct award using the Crown Commercial Services (CCS) Data Applications Solutions (DAS) framework. This framework has been established following an PCR15 compliant tendering process and is established to allow local authorities to use for their own requirements. The tendering requirements of the PCR15 are therefore satisfied. The framework allows for direct award as the council can determine that its requirements can be met by that supplier's catalogue and description of those deliverables set out in the framework documents, and can contract on the basis of the proposed call-off contract as set out by the framework without requiring amendment or supplementary terms.
46. Contract standing order 2.3 requires that no steps are taken to award a contract unless the expenditure involved has been included in approved estimates, or otherwise approved by the council. Paragraph 35 confirm the financial implication of this award.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 See link below -	Exchequer Services	Fiona Ives
https://modern.gov.southwark.gov.uk/ieDecisionDetails.aspx?ID=7366		

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Director of Exchequer Services.	
Report Author	Fiona Ives – Head of Support Services.	
Version	Final	
Dated	24 June 2021	
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 Governance	Yes	Yes
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet	Yes	Yes
Date final report sent to Constitutional Team		17 June 2021