



Report for: Cabinet

Date of Meeting:	14 March 2024
Subject:	Procurement of Revenues and Housing Benefits Processing Support Contract
Key Decision:	Yes
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance and S151 Officer, Resources Directorate
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
Exempt:	No, except for Appendices 1, 2, 3, 4 and 5 which are exempt by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972 because they contain information relating to the financial and business affairs of the Council.
Decision subject to Call-in:	Yes
Wards affected:	All Wards
Enclosures:	Exempt Appendix 1 – Tender Evaluation Methodology Exempt Appendix 2 – Tender Pricing Schedule Exempt Appendix 3 – Key Performance Indicators (KPI's) Exempt Appendix 4 – Service Specification Revenues and Benefits Exempt Appendix 5 – Service Specification Housing Benefits Overpayments Appendix 6 – Equality Impact Assessment

Section 1 – Summary and Recommendations

This report requests authorisation to procure and award a Resilience contract for Revenues and Housing Benefits Service Delivery Support, having regard to the options appraisal set out within this report.

Recommendations:

Cabinet is requested to:

1. Authorise the procurement of a resilience contract for Third Party Support for the Revenues and Housing Benefits Service for an initial term of five years with options to extend for a further three years and then a further one year and an estimated procurement total value of £9.2m, including £2.25m of extra headroom to cater for potential additional work deriving from DWP initiatives.
2. Approve the draft tender documents.
3. Delegate authority to the Section 151 Officer following consultation with the Portfolio Holder for Finance and Human Resources, to make any necessary changes to the tender documents following approval.
4. Delegate authority to the Section 151 Officer following consultation with the Portfolio Holder for Finance and Human Resources, to award the new contract to the successful bidder.

Reason: (for recommendations)

The Revenues and Benefits Service is responsible for the annual collection of £210m Council Tax, £50m Business Rates, £13m Housing Benefit Overpayments, the payment of £90m Housing Benefit and £19m in Council Tax Support.

The services concerned are of significant importance to the financing and delivery of London Borough of Harrow services and impact upon most households and businesses within the Borough. Customer perception of the Authority may often be influenced by customer experiences of those services. Consequently, the processing timescale and accuracy of work performed for the services in scope, is likely to shape customer perception of the organisation and the extent to which the core value of “putting residents first” is achieved. Activities for the services in scope are currently performed by the London Borough of Harrow and Capita Business Services Ltd under a contractual agreement that will expire on 31st March 2025. Consequently, there is a need to determine and agree how the services concerned should be delivered beyond that time, to facilitate effective planning and resourcing of them.

Not procuring an external partner, would potentially leave London Borough of Harrow with limited capability to process work in relation to the above services and which in turn would affect collections and payments and impact adversely on the Council’s budget, ability to pay and provide services and its residents and business rate payers.

Cabinet authorisation of the proposed procurement is required to comply with the Council’s Contract Procedure Rules.

1. Introduction

This report considers and evaluates options for delivery of the Council Tax, Benefits, Housing Benefit Overpayments and Business Rates Services when the existing contractual arrangements with Capita Business Services Ltd (“Capita”) cease on 31st March 2025 and makes recommendations accordingly.

- 1.1 There is no further contractual provision for extension when the existing agreement expires and therefore a decision needs to be taken in sufficient time to implement the preferred option to ensure a seamless delivery of the services in scope.
- 1.2 A lead in time of up to 12 months is required to implement the agreed option and to ensure service continuity. An options appraisal has therefore been undertaken to evaluate the relative merits of future service delivery models including in house, shared service and a retender of similar arrangements.
- 1.3 The Council Tax and Business Rates services, impact upon all households and businesses within the Borough. In the case of Benefits and Housing Benefit Overpayments, they affect some of the most financially vulnerable residents within the Borough. Consequently, the delivery of those services will impact upon the London Borough of Harrow vision and priorities of “putting residents first” and being “a place where those in need are supported”.
- 1.4 The options appraisal conducted, has indicated that a retender of the Revenues and Benefits Third Party Support is likely to offer and secure the best performance prospects through increased resilience and therefore ensures that there is less service failure risk arising from that perspective to London Borough of Harrow.
- 1.5 Whilst an in-house processing service would potentially offer greater flexibility in terms of implementing a more corporate approach to debt recovery and application of the Authority’s Digital Strategy, the risks associated with recruitment and retention of employees and the cost of their associated training and development, particularly for “niche” services such as Business Rates, Valuation and Housing Benefit Overpayments for example, would appear to outweigh the benefits.

2. Current Situation

- 2.1 At present, Business Rates and Valuation Work (i.e. activities associated with the compilation and maintenance of the Valuation List and Local Rating List) component of Council Tax and Business Rates service delivery, are delivered by way of an outsourced service arrangement. Housing Benefit Overpayment collection and recovery is also delivered as an outsourced service. However, Council Tax and Benefits service delivery are delivered under a “resilience” arrangement, whereby a contractually defined “core” volume of work per annum is allocated to the supplier with London Borough of Harrow employees processing the remainder.

- 2.2 Arrangements for both the resilience and outsourced service activities, are currently enshrined within a single contract package and delivered by a single service provider. (i.e. Capita Business Services Limited).
- 2.3 Within the outsourcing marketplace for Revenues and Benefits Services, there are two known active service providers (Capita Business Services Ltd and Liberata). Within the resilience marketplace, there are currently at least five known service providers (i.e. Capita Business Services Ltd, Liberata, Civica, Meritec and NEC).
- 2.4 London Borough of Harrow currently retains responsibility for the following key activities affecting the services in scope primarily due to statutory provisions, administrative ease and financial implications:
- IT Systems Administration and provision of service e-forms
 - Council Tax and Business Rates Recovery and Enforcement (i.e. summons and liability order applications and ancillary activities, committal and all other court activities, appointment, and contract management for Civil Enforcement Agents)
 - Property Inspections
 - Service of Completion Notices
 - Annual Billing
 - Achievement of targets for in year and arrears collection for Council Tax and Business Rates
 - Implementation of Central Government Initiatives and other changes affecting the services in scope.
 - Government returns for the services in scope
 - Discretionary discounts and rate reliefs for the services in scope
 - Approval of Benefit awards, as prescribed by statute.
 - Determination as to whether a Housing Benefit Overpayment is recoverable and whether to recover that Overpayment.
 - Assessment and awards of Discretionary Housing Payments.
 - Housing Benefit disputes and appeals.

2.5 Options Appraisal

Option 1 - Do Nothing

Whilst “Do Nothing” is an option, it is not a practical one as the existing service agreement expires on 31st March 2025 and there is no provision for further extensions. Additionally, the work activities currently performed under the agreement could not be performed directly by London Borough of Harrow employees without additional resourcing and arrangements in place.

Consequently, it is not proposed that this option be progressed.

2.6 Option 2 - Single Agreement for Resilience Services

If the current services in scope were to be procured exclusively as resilience services, the level of competition is anticipated to be greater than that for a combined resilience and outsourced service package, and pricing would be likely to reflect the level of competition.

However, attainment of the above, would require additional resource capacity to be created directly by London Borough of Harrow (LBH), as insufficient capacity exists at present to support this option. In particular, Housing Benefit Overpayments, Business Rates, and Valuation work activities associated with Council Tax and Business Rates, are not currently resourced directly by LBH.

The roles that would need to be created by LBH to support this option, would be relatively small in number, as the caseload for the services concerned is small. They would, however, principally be “niche” roles, with the consequence that recruitment and retention of employees with the associated knowledge and experience necessary to perform those services, is anticipated, from experience, to be challenging and was one of the key reasons for recommending the outsourcing of those service activities previously.

Suppliers that deliver such “niche” services, are often able to recruit suitably experienced employees to operate across multiple contracts, thereby securing levels of resilience and a more efficient cost allocation than London Borough of Harrow would be likely to achieve for direct in-house provision.

In view of the proportion of time that may currently be spent on London Borough of Harrow contract work by such “niche” resources, there is the potential risk that there may be insufficient employees that would transfer to LBH under the Transfer of Undertakings (Protection of Employment) Regulations (“TUPE”) in relation to this option.

Consequently, the option of creating a single resilience service contract for delivery of the services in scope, is not proposed.

2.7 Option 3 - Separate Outsourcing and Resilience Service Agreements

Consideration has also been given to separating currently outsourced service activities from those of resilience work. However, that would be impractical, as data, work activities and IT systems operated, are intrinsically linked and often interdependent, with the consequence that such an approach could result in two separate suppliers processing related work under separate contract agreements for a single customer.

The administrative arrangements and client management arrangements required for such an approach, would be unduly onerous and would result in a less efficient application of management effort than would be the case under a single agreement.

Consequently, the option of having separate contractual agreements for outsourcing activities and resilience work activities respectively, is not proposed.

2.8 Option 4 - Return of Outsourcing and Resilience Activities to In-House Provision

Consideration has also been given to returning both outsourced service activities and resilience activities to direct in-house provision. However, there is a potential risk that insufficient employees would transfer to London Borough of Harrow under TUPE in relation to this option and that London Borough of Harrow would be unable to successfully recruit and retain the number and quality of personnel needed to establish and sustain an acceptable level of performance both at the service commencement date and beyond.

In particular, some of the roles that would need to be recreated in house to achieve this option, would be “niche” roles, often requiring small numbers of full-time equivalent personnel. Recruitment and retention of employees with the associated knowledge and experience necessary to perform those services, is anticipated, from experience, to be challenging and was one of the key reasons for outsourcing those service activities previously.

Additionally, an analysis of the most recent collection rates published, (i.e. 2020/21 and 2021/22), indicates that for London Authorities with an outsourced service arrangement, particularly in relation to Business Rates, the average collection performance is 2% higher than that experienced on average for direct in-house provision.

Consequently, the option of returning the services in scope to direct in-house provision is also discounted.

2.9 Option 5 - Shared Service Arrangement with another Local Authority

Consideration has been given to a shared service arrangement with a neighbouring Local Authority. In particular, London Borough of Hillingdon was considered as an option, as its Revenues and Benefits Service operates both the NEC Revenues and Benefits core IT applications and the Civica Electronic Document Management System that London Borough of Harrow also uses. However, they have recently completed a procurement for their third-party agreement with a renewed term commencing 1st June 2024.

Whilst other neighbouring Local Authorities have been considered, they have not been progressed. This is because they either operate different service delivery arrangements such that there would be reduced opportunities for any significant synergies, or their core values / priorities do not currently align with those of London Borough of Harrow.

Consequently, the option of a shared service arrangement for the services in scope is not proposed.

2.10 Option 6 - Single Outsourced Service and Resilience Service Activities Agreement

If combined resilience and outsourcing activities were to be retendered under a single agreement, potential interest would be limited to those companies operating within both the outsourcing and resilience market with pricing of tenders, representative of the level of competition.

However, it is anticipated that there would be interest from the suppliers in that marketplace and that seamless delivery of the services in scope could be effectively achieved within the required timescale.

It is also anticipated that the risk of having insufficient resource available at the contract commencement date arising from the effects of TUPE, could be more effectively mitigated by a third-party supplier.

For the above reasons, it is proposed that the existing service agreement be packaged and retendered in a similar format to that currently operated.

The use of a framework agreement for this proposed option has been considered. However, as such a framework for the services in scope and the nature and extent of the work activities concerned, does not exist, that approach has been discounted.

3. Why a change is needed

The proposed retender of the services in scope, will facilitate the achievement of seamless and continuous service delivery, that will in turn, contribute to the maintenance of Revenues collection performance and Benefit claims administration currently experienced.

4. Legal Implications

Under Section 3 of the Local Government Act 1999, Local Authorities are under a general duty to secure Best Value services. The duty is to “make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.” The recommendations in this report will assist with the achievement of Best Value.

Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions. The recommendations in this report are in accordance with this power.

The value of this contract over its lifetime exceeds the financial threshold for Services/Supplies under The Public Contracts Regulations 2015 (PCR 2015) and therefore the Council must adhere to the requirements of the PCR 2015, in addition to ensuring compliance with its Constitution, which encompasses the Contract Procedure Rules (CPR).

As the estimated value of the procurement exceeds £500,000, approval to procure must be obtained by way of a Cabinet Report and a Cabinet decision

must be obtained prior to any tender activity commencing (Table 1: Authorisation and Acceptance Thresholds, CPR). When delegated authority to award has been approved by Cabinet then the Corporate Director that has been given the delegation to award must do so in consultation with the Portfolio Holder for the service area and the Portfolio Holder for Finance and Human Resources.

The contract must be in a form approved by legal services (HB Public Law) on behalf of the Director of Legal and Governance. Given the value of the contract and in accordance with CPR Paragraph 9.1.3, the contract must be sealed. Once the contract is awarded and finalised, HB Public Law will process the contract through sealing. Regulation 108 PCR 2015 requires the Council to publish contract award information on Contracts Finder within a reasonable time of the award of contract.

Public Sector Equality Duty

The public sector equality duty, as set out in section 149 of the Equality Act 2010, requires the Council, when exercising its functions, to have “due regard” to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who have a “protected characteristic” and those who do not share that protected characteristic. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

This includes enquiring into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.

In considering the recommendations submitted within this report, an Equality Impact Assessment has been undertaken to ensure that any potential adverse impact to groups sharing a protected characteristic has been identified, evaluated, and mitigated wherever possible. The analysis has not identified the potential for an adverse impact at this stage.

However, any equalities implications arising from the individual recommendations will continue to be considered and assessed as further data/information is obtained or becomes available during the decision-making process.

TUPE and Pensions

As there is no proposal to transfer work currently carried out by existing Council employees to a third-party supplier, TUPE shall not affect any Council employees. However, in the case of work activities currently carried out by the existing supplier’s employees, TUPE and Pensions implications are anticipated,

that will need to be addressed through the procurement arrangements and contract documentation for retender of the service, should the recommendations in this report be agreed. If TUPE is deemed to apply, it will apply as a matter of law.

Public Services (Social Value) Act

The Public Services (Social Value) Act 2012 requires the Council, when procuring services, to consider whether it can achieve an improvement to the economic, social, and environmental well-being of an area as part of the procurement of those services. If so, the social value objectives identified must be written into the procurement process. This must be achieved with regard to value for money and in a way that is compliant with public procurement law.

Appendix 1 to this report provides for the inclusion of Social Value within the price and quality weightings proposed and in accordance with the recommendations set out within Section 1 of this report. It is proposed within Appendix 1, that a Social Value weighting of 10% is applied for the purposes of the tender evaluation.

Contracting out Regulations and Orders

The Local Authorities (Contracting out of Tax Billing, Collection and Enforcement Functions) Order 1996 applies to the administration of Council Tax and Business Rates services and clarifies the roles and responsibilities reserved for a Local Authority and those that may be provided by a service provider.

The Contracting Out (Functions of Local Authorities: Income-Related Benefits) Order 2002, similarly clarifies the roles and responsibilities reserved for a Local Authority and those that may be provided by a service provider.

Procurement Implications

4.1 Procurement

The estimated total procurement value of the Service contract recommended to be subject to procurement is £9.2M and is higher than the current financial threshold for services under The Public Contracts Regulations 2015. The procurement will therefore be subject to the full application of the Public Contracts Regulations 2015. The award of the contract is also subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations. As a result, Cabinet approval will be required for the award of the contract and a mandatory ten calendar day standstill period will be applicable to the contract award. This report requests approval to delegate authority to the Section 151 Officer in consultation with the Portfolio Holder for Finance and Human Resources, to award the new contract to the successful bidder.

It is proposed to re-procure third party support for the Revenues and Benefits Service following the Open Procedure but reserving the option to move to the Competitive Procedure with Negotiation in the event that non-compliant bids should be received. That approach would permit negotiation, in the event that

the procurement could not be effectively concluded from the initial tenders submitted.

The proposed procurement, if agreed, will incorporate the flexibility needed to respond to changing work levels over the contract term. Additionally, potential value for any increased processing activity has been accounted for within the tender contract value and will be included in the tender notices accordingly.

The contract will be awarded for a 5-year term from 1st April 2025, with an option to extend for a further 3 years up to 31st March 2033 followed by a further option to extend for 1 year up to 31st March 2034. This contract duration has been chosen to strategically align London Borough of Harrow with London Borough of Hillingdon contracts, to allow for the option of a future joint procurement, should both parties wish.

The top-level evaluation criteria are proposed as follows:

Price 50%

A 50% weighting for price is considered to be appropriate for securing value for money in respect of the proposed procurement. There is a niche market consisting of two known providers for this type of work.

Quality 40%

Quality is considered a key criterion for the services in scope and has been allocated 40% of the overall score. This is due to the necessity of delivering a customer focused service that underpins the London Borough of Harrow's core values and priorities. Additionally, service quality levels have a direct influence on performance in terms of cash collection and Benefits subsidy amounts received from Central Government.

Social Value 10%

As required under existing Council policy, 10% of the proposed weighting has been allocated to Social Value.

The proposed specification documents are included as exempt background papers and Appendix 1 (exempt) comprises the proposed evaluation weightings and criteria and sub criterion weightings for tender evaluation purposes. This report also requests to delegate authority to the Section 151 Officer following consultation with the Portfolio Holder for Finance and Human Resources, to make any necessary changes to the tender documents following approval.

5.0 Financial Implications

As the contracted services have not been subject to a recent competitive procurement, there is a risk that tenders received, may be higher than the existing budgetary provision available.

The contract value for this procurement is anticipated to be £9.2m over the full contract term potentially available under the proposed procurement (i.e. 9 years). This includes £2.25m (or £250k per annum) for extra headroom to cater for additional work deriving from DWP initiatives such as VEP (Verification of Earnings and Pension (“VEP”) activities) and HBAA (Housing Benefit Award Accuracy Initiative).

6.0 Performance Issues

This report seeks authority to procure third party processing support for Revenues and Benefits services that will influence Revenues collection and Benefits administration functions. Procurement and performance of the services concerned, will therefore have an influence on cash collection rates achieved for Business Rates, Council Tax and Housing Benefit Overpayments, as well as Benefit awards determined, and average processing times experienced in relation to Housing Benefit and Council tax Support. These are key indicators monitored locally and published nationally each year.

Not procuring a supplier to deliver the services concerned, would adversely impact upon Harrow’s in-year collection rates, cash flow management arrangements, Benefit processing timescales and potentially, its reputation with stakeholders. It may also have the effect of restricting / preventing compliance with statutory obligations concerning the prompt issue of bills and benefit determination notices.

Resources, costs

The cost of resourcing the project will be managed within existing service budgets. The project is likely to cost approximately £20,000 taking existing staff costs / time into account.

Staffing / Workforce

There are no currently anticipated implications upon Harrow staffing or its workforce arising from the recommendations proposed within this report.

A project team to be comprised of subject matter experts will be established for the purposes of the procurement if the recommendations within this report are agreed.

It is anticipated that TUPE (The Transfer of Undertakings (Protection of Employment) Regulations 2006) will apply to the recommendations proposed within this report, as a matter of law.

7.0 Risk Management Implications

Risks included on corporate or directorate risk register? Yes

Separate risk register in place? No

A separate risk register will be established and maintained in relation to the procurement project subject to approval of the report recommendations.

The key risks currently anticipated from the recommendations set out within this report, are anticipated to be as follows:

Risk Description	Mitigations	RAG STATUS
1. There is a limited response to the Invitation to Tender advert.	Ensure that potential tenderers are aware of the procurement and timescales.	AMBER
2. Tenders received are not compliant with Invitation to Tender requirements.	Ensure that the parameters and Council requirements are clear.	GREEN
3. Tender prices are above the budgetary provision available.	Provide the budget window in the Selection Questionnaire to clarify compliance prior to opening tenders.	AMBER
4. A legal challenge is received in relation to the procurement process conducted.	A project team comprising of subject matter experts representing key areas underpinning the service contract will be established, incorporating Legal Services, Procurement, GDPR, IT Security and Revenues and Benefits to ensure that the project is conducted in a transparent and compliant format.	GREEN

8.0 Environmental Implications

There are no significant environmental impacts currently anticipated from the recommendations contained within this report. However, subject to approval of the recommendations in this report, tenderers will be requested to submit proposals that have a positive impact for the local environment and that shall be evaluated for the purposes of determining the most economically advantageous tender(s).

9.0 Data Protection Implications

There are direct data protection impacts anticipated from the recommendations contained within this report. In particular, a third-party supplier will be required to comply with the provisions of the General Data Protection Regulation and associated requirements set out within the proposed contractual agreement.

To mitigate risks associated with Data, a technical requirement will be included within the Selection Questionnaire for an organisation to hold either Cyber Essentials or Cyber Essentials Plus certification. Where a supplier does not hold Cyber Essentials or Cyber Essentials Plus they must be able to demonstrate equivalent controls are in place through other means. It is also proposed that Data and IT Security be one of the qualitative criteria evaluated for the purposes of determining the most economically advantageous tender ("MEAT").

10.0 Equalities implications

An equalities impact assessment has been conducted and there are no Equalities implications currently anticipated from this report.

11.0 Council Priorities

The services in scope are fundamental in supporting the corporate priorities listed below, as they represent a key element of the Council's overall budget. In the case of Council Tax and Business Rates, they directly impact upon all residents / businesses within the Borough and in the case of Benefits, residents in receipt of low incomes are supported through the award of permitted financial support towards rent and Council Tax payments.

1. A Council that puts residents first.
2. A Borough that is clean and safe.
3. A place where those in need are supported.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed off by the Chief Financial Officer

Date: 05 March 2024

Statutory Officer: Melissa Trichard

Signed on behalf of the Monitoring Officer

Date: 16 February 2024

Chief Officer: Sharon Daniels

Signed off by the Interim Director

Date: 16 February 2024

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 05 February 2024

Head of Internal Audit: Neale Burns

Signed on behalf of the Interim Head of Internal Audit

Date: 15 February 2024

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: Yes

EqIA cleared by: Jennifer Rock

Section 4 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),

Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

- Equalities Impact Assessment
- Specification documents – Exempt

Call-in waived by the Chair of Overview and Scrutiny Committee: NO