

# REPORT FOR: **CABINET**

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<b>Date of Meeting:</b>	14 July 2015
<b>Subject:</b>	Revenues and Benefits Third Party Support – Award of Contract
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Tom Whiting, Corporate Director of Resources
<b>Portfolio Holder:</b>	Councillor Kiran Ramchandani, Portfolio Holder for Performance, Corporate Resources and Policy Development  Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
<b>Exempt:</b>	No, except for Appendix 1 to this report which is exempt under paragraph 3 of Schedule 12a of the Local Government Act 1972 as it includes information relating to the financial and business affairs of the Council and the bidders.
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	PART II (Exempt) Appendix 1 – Analysis and evaluation of tenders including financials Appendix 2 – Equalities Impact Assessment

# 1. Summary and Recommendations

This report requests authority to award a contract for the provision of Revenues and Benefits Third Party Support Services, as required by Paragraph 6.4 of the Contract Procedure Rules.

This report summarises the procurement process for this contract and, following the evaluation of final tenders, recommends that the contract should be awarded to Northgate Information Solutions UK Limited.

## Recommendations:

Cabinet is requested to:

1. Note the analysis and evaluation findings set out in Appendix 1 of this report.
2. Approve the appointment of Northgate Information Solutions UK Limited for the provision of Revenues and Benefits Third Party Support Services to enable contract documentation to be finalised expeditiously and to enable operational commencement from 1<sup>st</sup> November 2015.
3. Approve the appointment for an initial term starting on 1<sup>st</sup> November 2015 and ending on 31<sup>st</sup> October 2020 (therefore representing a period of five years of service provision) with an option, at the Council's discretion, to extend for one further year from the end of the initial term.
4. Delegate authority to the Corporate Director of Resources following consultation with the Portfolio Holder for Performance, Corporate Resources and Policy Development and the Portfolio Holder for Finance and Major Contracts to finalise any outstanding contractual matters.
5. Agree that the Director of Legal & Governance Services can seal the contract on the Council's behalf when the contract documentation has been prepared.

## Reason: (For recommendation)

Cabinet approved the procurement of the Revenues and Benefits Third Party Support Service on 11<sup>th</sup> December 2014 with a view to establishing an operational commencement date of 1<sup>st</sup> November 2015.

Following the completion of a restricted tender procedure as set out in Appendix 1 of this report, an analysis and evaluation of each bidder's tender was undertaken. Based upon these results, the above recommendations are proposed.

## 2. Report

### 2.1 Introductory paragraph

The existing Revenues and Benefits resilience contract with Capita Business Services Limited will cease on 31<sup>st</sup> October 2015 when the partnership agreement with Capita ends. A decision to procure a remote

processing service that supports the “in-house” team was agreed by Cabinet on 11<sup>th</sup> December 2014 and will ensure that sufficient capacity exists to manage work volumes anticipated from that date onwards.

The Council invited tenders for the provision of Revenues and Benefits Third Party Support Services using the Restricted Tender procedure under the Public Contracts Regulations 2006.

The scope of the contract is broadly comparable with that for the existing Revenues and Benefits resilience work and is scheduled to commence from 1<sup>st</sup> November 2015. It is for a five year term with an option to extend for one further year subject to price and performance.

## **2.2 Options Considered**

The following options have previously been considered in relation to provision of the support services:

- Recruitment to vacant posts - Fixed term and Permanent
- Recruitment to vacant posts - Temporary and agency personnel
- Third Party Support
- Framework Agreement – Central Purchasing Body

### **2.2.1 Background**

The current national ‘austerity’ measures are anticipated to continue potentially up to 2020 and possibly beyond. In responding to this challenge, the Collections and Benefits department has already deleted 15 full time equivalent posts from its establishment in 2015/16 to meet the financial challenges facing the Council and currently anticipates further reductions in the future when a significant volume of the Housing Benefits caseload is scheduled to be incorporated within Universal Credit administered through the Department for Work and Pensions (DWP).

To minimise costs, the Collections and Benefits Department already accesses “off-site” (“remote”) support as and when required for specified work activities from Capita through the Incremental Partnership Agreement. However, this is scheduled to end on the 31<sup>st</sup> October 2015 when the Incremental Partnership Agreement expires. In order to sustain performance levels and deliver services within a reduced operating budget, it will be necessary to retain the provision of external support beyond that date.

Resilience support amounting to an annual equivalent value of £350,000 is currently provided by Capita for Revenues and Benefits services. Approximately £260,000 per annum relates to the processing of new Housing Benefit and Council Tax Support claims and associated changes in circumstance meeting prescribed conditions. A further £90,000 per annum relates to Council Tax and Business Rates work principally concerning maintenance of the Valuation List and Local Rating List and specified discounts and exemptions. This work is funded through vacant establishment posts.

It is proposed that current support levels be continued with a provision to increase the level of support required should temporary or permanent employees leave the service and where Best Value can be demonstrated.

The Benefits service has applied a policy of not filling vacant posts with permanent staff over the past 18 to 24 months in anticipation of staffing reductions that may be required in the future, particularly with the introduction of Universal Credit. However, whilst the use of temporary and agency personnel has enabled service performance to be maintained and reduced the potential risk of staffing reductions impacting on permanent employees in the future, it costs the Council more than a permanent employee carrying out a similar role.

Whilst the Council Tax and Business Rates services do not have the same levels of future uncertainty as the Benefits service, there is still a need to deliver these services to ensure that service performance is maintained within the context of a reduced operating budget.

### **2.3 Current situation**

The Collections and Benefits Department currently accesses third party support as and when required for its Council Tax and Benefits Services through Capita under the Incremental Partnership Agreement.

The annual equivalent cost of this service is £350,000 met through the employee budget held for vacant posts within the Revenues and Benefits Service.

Within the Collections and Benefits department as a whole, there are 84 posts of which 23.5 (i.e. 28%) are currently vacant or filled by agency / temporary personnel and 60.5 (i.e. 72%) are filled by permanent employees.

This remote processing service that supports the “in-house” team will end on 31<sup>st</sup> October 2015 when the Partnership Agreement ends. Consequently, it is necessary to ensure that sufficient capacity exists to manage work volumes anticipated from that date onwards.

### **2.4 Why a change is needed**

The existing Incremental Partnership Agreement with Capita will end on 31<sup>st</sup> October 2015 and consequently, the provision of remote support currently provided through that agreement will also end.

The future uncertainty surrounding the Benefits Services in particular concerning reduced caseload and associated reductions in work volumes and resourcing makes the recruitment of permanent / fixed term employees an undesirable option. Further automation and the enhancement of web forms are anticipated to contribute towards “channel shift” and the achievement of efficiency gains.

It is anticipated that the existing “austerity” measures in place to reduce the national budget deficit are likely to continue and it is therefore appropriate to plan for further cost reductions accordingly. The need to mitigate the potential impact of cost reductions to “front-line” services means that alternative cost effective opportunities must be considered and evaluated.

The availability of cost effective third party support for specified work activities at a time when there are financial pressures on operational budgets lends itself well to supporting the in-house service and maintaining existing service performance levels

Consultation was undertaken with employees and their representatives as part of the Revenues and Benefits organisational restructure conducted in late 2014. As a consequence of comments and responses received, changes were made to the scope of the proposed third party support work requirements to be tendered.

## **2.5 Implications of the Recommendation**

### **2.5.1 Resources and Costs**

The appointment of Northgate Information Solutions UK Limited for the provision of the Revenues and Benefits Third Party Support Service will have implications for the newly appointed Harrow ICT Service Provider (i.e. Sopra Steria). In particular, the transition from the existing Service Provider (i.e. Capita) to the new Service Provider will entail effective project management and planning arrangements incorporating the Revenues and Benefits team, Northgate Information Solutions UK Ltd, and both Capita and Sopra Steria to ensure that “set-up” and implementation is effectively tested and operational by the 1<sup>st</sup> November 2015.

### **2.5.2 Staffing and Workforce Considerations**

As the Revenues and Benefits Service already manages the existing resilience contract, it is anticipated that the management capacity and resourcing required already exists. Consequently, no additional resourcing is required.

Please see the Legal Implications in paragraph 2.9 below.

## **2.6 Performance Issues**

The new contractual arrangements provide for compliance with a number of key performance targets concerning provision of the service. The key performance objectives set out in Tables 1, 2, 3 and 4 below shall be obtained through the new contractual arrangements:

**Table 1 – General Service Level Requirements**

<b>Service Required</b>	<b>Method of calculating service delivery</b>	<b>Service level</b>
Update and reconcile Business Rates Local Rating List Schedule	Within 10 working days of receipt of schedule	100%
Update and reconcile Council Tax Valuation List Schedule	Within 10 working days of receipt of schedule	100%
Update and reconcile Business Rates Local Rating List in full	Within 20 working days of receipt of schedule on a quarterly basis	100%
Update and reconcile Council Tax Valuation List in full	Within 20 working days of receipt of schedule on a quarterly basis	100%
Offers of payment (Council Tax and Business Rates)	Within 10 working days of allocation	90%
Offers of payment (Council Tax and Business Rates)	Within 20 working days of allocation	The remaining 10% of the above.
Issue refunds for Direct Debit Payers (Council Tax and Business Rates)	Within 10 working days of allocation of the refund request	100%
Issue refund application forms for Non Direct Debit Payers (Council Tax and Business Rates)	Within 10 working days of allocation of the refund request	100%
Process refunds for Non Direct Debit Payers (Council Tax and Business Rates)	Within 10 working days of allocation of completed application form	100%
<b>Service Requirement</b>	<b>Method of calculating service delivery</b>	<b>Service level</b>
Process applications for discounts, reliefs and exemptions (Council Tax	Within 15 working days of allocation or the receipt of relevant documentation as	90%

and Business Rates)	appropriate	
Process applications for discounts, reliefs and exemptions (Council Tax and Business Rates)	Within 20 working days of allocation or the receipt of relevant documentation as appropriate	The remaining 10% of the above.
Occupations and Vacations	Within 10 working days of allocation	100%
Benefit Reconsiderations	Within 20 working days of allocation	100%

**Table 2 – Monthly Key Performance Indicators (KPI) for Benefits**

<b>KPI Description</b>	<b>Method of calculating monthly KPI</b>	<b>Target KPI</b>
<b>Benefits</b>		
Benefit Processing Accuracy rate	Number of correct Benefit assessments expressed as a proportion of the number of Benefit assessments checked in the same period.	90%
Benefits Processing Time	The number of Benefit applications and changes in circumstance (including ETD's, HBMS, RTI's and ATLAS) with action taken within five working days following allocation expressed as a proportion of the total number checked.	100%

<b>KPI Description</b>	<b>Method of calculating monthly KPI</b>	<b>Target KPI</b>
Benefits Processing Time	The number of applications, changes in circumstance (including	100%

	ETD's, HBMS, RTI's and ATLAS) with action taken within five working days of allocation as a consequence of the Work Type item concerned ceasing to be held in "pending" (whether due to the expiration of the pending period, receipt of the requested information or some other relevant matter) and expressed as a proportion of the total number checked.	
Non-complex Benefits correspondence (letters, and email)	The number of non-complex items of correspondence that do not fall within KPI Descriptions 1 to 3 above for which a response has been issued within twenty working days of allocation expressed as a proportion of the total number checked.	100%
Priority Benefits Correspondence	The number of priority items responded to within five working days of allocation expressed as a proportion of the total number checked.	100%

**Table 3 Monthly KPI performance for Council Tax**

<b>Council Tax</b>		
<b>KPI Description</b>	<b>Method of calculating monthly KPI</b>	<b>Target KPI</b>
Council Tax Processing Accuracy Rate	Number of correct Council Tax cases	90%



	expressed as a proportion of the number of Council Tax cases checked.	
Process Council Tax Direct Debit Instructions	The number of Direct Debits processed within five working days of allocation expressed as a proportion of the total number checked.	100%
Non-complex Council Tax correspondence (letters, email and web forms, etc)	The number of non-complex items of correspondence for which a response has been issued within twenty working days of allocation expressed as a proportion of the total number checked.	100%
Priority Council Tax Correspondence	The number of priority items responded to within five working days of allocation expressed as a proportion of the total number checked.	100%

**Table 4 - Monthly KPI performance for Business Rates**

<b>Business Rates</b>		
<b>KPI Description</b>	<b>Method of calculating monthly KPI</b>	<b>Target KPI</b>
Business Rates Processing Accuracy Rate	Number of monthly correct Business Rates cases expressed as a proportion of the number of Business Rates cases checked.	90%
Process Business Rates Direct Debit Instructions	The number of Direct Debits processed within five working days of allocation expressed as	100%

	a proportion of the total number checked.	
Non complex Business Rates correspondence (letters, email and web forms, etc)	The number of non-complex items of correspondence for which a response has been issued within twenty working days of allocation expressed as a proportion of the total number checked.	100%
Priority Business Rates Correspondence	The number of priority items responded to within five working days of allocation expressed as a proportion of the total number checked.	100%

## 2.7 Environmental Implications

There are no environmental implications arising from the recommendations set out within this report.

## 2.8 Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? Yes

Risks associated with the procurement have been effectively managed through the project controls established at the commencement of the project. These were documented on the project risk register and proactively managed through the Project Reporting arrangements.

## 2.9 Legal Implications

As this tender exercise began before February this year, the tender was subject to the Public Contracts Regulations 2006 (PCR 2006).

The value of this contract over its lifetime is higher than the then current EU financial threshold for Part A Services and the tendering and award of the contract therefore is governed in full by the PCR 2006.

The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500,000 or works contracts exceeding £1million shall be referred to the Cabinet for approval of the award of the contract. The estimated revenue value of the Revenues and Benefits Third Party Support Services contract is over this threshold.

The Council's Legal Service (HB Public Law), have been involved in the project since it commenced and have advised on the procurement route, the procurement documentation and the contractual documentation. HB Public Law confirms that the procurement has been carried out in compliance with the PCR.

The award of the contract is also subject to the Council's Contract Procedure Rules and Financial Regulations. As a result, Cabinet approval is required for the award of the contract.

As the procurement is governed in full by the PCR, following Cabinet approval the Council must observe a mandatory minimum 10 day standstill period before signing the contract. Additionally, contract finalisation arrangements will also need to be made **before** the contract can be signed.

The timetable based upon the current schedule of activities is set out below:

Cabinet meeting and decision – 14<sup>th</sup> July 2015  
Contract documentation finalised – 15<sup>th</sup> July 2015 to 15<sup>th</sup> August 2015  
Alcatel “standstill” period – 15<sup>th</sup> July 2015 to 25<sup>th</sup> July 2015  
Contract signature – 16<sup>th</sup> August 2015  
Publish OJEU Award Notice – by 30<sup>th</sup> August 2015  
Operational Service Commencement Date – 1<sup>st</sup> November 2015

Following award of the contract, the Council must publish a contract award notice in the Official Journal of the European Union within 48 days of the contract award.

The procurement of the Revenues and Benefits Third Party Support Service is not likely to involve the transfer of any employees under The Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) (TUPE). This is because there is no organised grouping of Harrow Council employees whose principal purpose is the carrying out of the services in scope. Capita have also indicated that they do not expect TUPE to apply to any of their employees as the necessary conditions for a relevant transfer are not met in relation to their staff resourcing the existing resilience contract.

Equality implications are addressed within section 2.11 of this report.

## **2.10 Financial Implications**

The contract provides the Council with a fixed cost for a specified annual volume of work. There is flexibility incorporated within the contract to offset variations in work volumes and work types without affecting the fixed price.

Provision is also made for any increases in work volumes above the fixed price levels through the application of a unit pricing structure.

The cost of this contract will be met from within existing budgets held by the Revenues and Benefits Department and contributes towards the

achievement of the Medium Term Financial Strategy savings of £459,000 for Collections and Benefits as outlined within the 19<sup>th</sup> February Cabinet report under reference RES22 Efficiency Savings – Staff reductions due to the implementation of more automation and self service forms in Revenues and Benefits.

No provision has been made within the contract terms for annual price increases and consequently, bidders were required to factor any inflationary provision within their pricing, as appropriate.

The requirement for a parent company guarantee and performance bond was considered as part of the process but not required, as each of the five bidders that were shortlisted were assessed as having sufficient financial resources.

Provision has been made within the contract for key performance targets with service credits in place to address variations, should these occur. This will mean that in the event of reduced performance levels, the Service Provider may be required to make payment to the Council.

## **2.11 Equalities Implications / Public Sector Equality Duty**

Decision makers must have due regard to the public sector equality duty in making their decisions.

Consideration of the duties must precede the decision. Section 149 of the Equality Act 2010 sets out the equality duty as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

This duty is extended to a person that is not a public authority but who exercises public functions.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

An Equalities Impact Assessment (EqIA) was approved by the EqIA Quality and Assurance Group. The EqIA for this procurement has been attached at Appendix 2 to this report and indicates that there is no anticipated adverse impact.

## 2.12 Council Priorities

The recommendations contained within this report support the corporate priorities for the following:

- Making a difference for communities
- Making a difference for local businesses

The financial savings generated as a consequence of this procurement and in accordance with the Medium Term Financial Strategy will enable the Council to prioritise its expenditure plans towards other priorities and commitments.

## Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 15 June 2015		
Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 15 June 2015		

<b>Ward Councillors notified:</b>	<b>NO, as it impacts on all Wards</b>
<b>EqIA carried out:</b>	<b>YES</b>
<b>EqIA cleared by:</b>	Chairs of the Resources Directorate Equality Task Groups – Alex Dewsnap

## **Section 4 - Contact Details and Background**

### **Papers**

**Contact:** Fern Silverio Head of Collections and Benefits, X6818, fern.silverio@harrow.gov.uk

**Background Paper:**

Report from the Corporate Director Resources to Cabinet dated 11<sup>th</sup> December 2014.

<http://modern.gov:8080/documents/g62358/Public%20reports%20pack%20Thursday%2011-Dec-2014%2018.30%20Cabinet.pdf?T=10>

<b>Call-In Waived by the Chairman of Overview and Scrutiny Committee</b>	<b>NOT APPLICABLE</b> <i>[Call-in applies]</i>
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