
REPORT FOR: CABINET

Date of Meeting:	12 October 2017
Subject:	Procurement of Revenues and Benefits Support
Key Decision:	Yes
Responsible Officer:	Tom Whiting Corporate Director of Resources and Commercial
Portfolio Holder:	Adam Swersky – Portfolio Holder for Finance and Commercialisation
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

The purpose of the report is to seek authority to procure third party support for the processing of new Housing Benefit / Council Tax Support claims and associated changes in circumstance, meeting specified pre-determined conditions, as well as administration and collection activities relating to both Council Tax and Business Rates, equivalent to the work carried out by 11 FTE (full-time equivalent) staff.

Recommendations:

Cabinet is requested to:

1. Authorise the procurement of a contract for Revenues and Benefits resilience support with a maximum value of £1.3m over 5 years (£0.260m annually), subject to the demonstration of Best Value.
2. Delegate authority to the Corporate Director of Resources and Commercialisation to award the contract for Revenues and Benefits processing resilience, following consultation with the Portfolio Holder for Finance and Commercialisation, and if so required by procedures, to bring a contract award recommendation to Cabinet for approval.
3. Agree that the contract award be brought to Cabinet for the award decision if the price exceeds the current available budget.

Reason:

The procurement is considered necessary to sustain the delivery of statutory services at existing performance levels within the context that the existing supplier has agreed terms to exit the contract by 31 March 2018, thereby necessitating urgent procurement of a replacement supplier.

1.2 Introductory paragraph

Northgate Public Services UK currently process new Housing Benefit / Council Tax Support claims and associated changes in circumstance, as well as administration and collection activities relating to both Council Tax and Business Rates on behalf of Harrow.

Since being appointed in October 2015 following competitive tendering, and a five (5) year contract having commenced on 1st November 2015, the contractor has failed to deliver the appropriate quality and at times the resources to actually deliver the contracted volumes of processing outputs.

As Northgate Public Services UK have acknowledged that they cannot meet performance or quality thresholds within the existing price charged, they have informally discussed and agreed with officers to terminate the contract. Whilst officers have worked closely with Northgate Senior Management to put in place remedial work plans over a prolonged period of time, improvement has been slow and challenging. Since December 2016, 8 default notices have been issued to the company for non-performance or non-compliance with required quality thresholds.

In June 2017, both parties started discussions on terminating the contract by mutual consent on the basis that the “contract was not working for either organisation”, and that this would be in the best interests of both parties. Since then, termination terms have been agreed.

The existing contract requires the processing of work equal to 8 Housing Benefit staff and 3 Revenue Officers. The annual cost to the Council pre-externalisation was £360,000. Currently, the existing annual contract costs are much lower than this, and the existing budget reflects the actual cost of the contract after savings were realised post contract award.

Harrow now needs to appoint a replacement supplier to continue processing 11 FTEs' worth of work and at a cost as close to the existing budget as possible. The contract will be for a period of 5 years and is anticipated to cost the same as the available budget of £260,000 a year. In the event that the market's view on price and risk may have changed and that bids for the work come in at a higher cost than the existing budget, then savings would need to be made elsewhere to fund the increase, or the service would need to be reduced in order to ensure expenditure stayed within the budget limits.

1.3 Options considered

The cost of using third party support for certain specified work activities is less than the cost of recruiting temporary and agency personnel and permanent / fixed term employees.

Consideration has been given to the recruitment to vacant posts rather than appointing a supplier to carry out the work, but the existing budget will not cover this option. Additionally, due to the phased introduction of Universal Credit requiring the majority of existing claimants to transfer over to the DWP (and therefore most of the work also transferring away from the local authority), the Benefits Service has a policy of not filling vacant posts with permanent staff in anticipation of staffing reductions that may be required in the future.

Consideration has also been given to recruiting temporary agency staff. However, pay rates for temporary / agency personnel with benefits experience have increased to around £30 per hour (inclusive of agency commissions) which also makes this option prohibitive and even more expensive. Hourly rates for temporary / agency benefits personnel are also anticipated to rise further due to increased short-term demand, particularly during the period leading to the introduction of Universal Credit.

The cost of procuring a new third party supplier is therefore less than the cost of recruiting temporary or agency personnel and permanent / fixed term employees, and considering the budget available, the only affordable option.

2. Legal Implications

Duty of Best Value

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.

Contract

The Cabinet previously resolved to appoint Northgate Public Services UK to carry out this work. The Council and the company have mutually agreed to terminate and withdraw from this contract. Consequently, it will be necessary to establish a new contractual arrangement with a supplier for third party support to commence from the date that Harrow and Northgate have agreed to terminate the existing contact.

Procurement

The value of the proposed services is higher than the current EU financial threshold for services and so the procurement and award of the contract is subject to the full application of the Public Contracts Regulations.

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.

2.1 Financial Implications

The Council is seeking to continue to deliver the Revenues and Housing Benefits service within the existing budget. As such, the procuring of a new supplier to replace the existing resilience supplier is fundamental to achieving this, although there is risk that the procurement will deliver a higher price than Harrow is currently paying which could lead to budget pressures within the service.

Should the market price come in above the existing budgets available, it is proposed to bring the award decision back to the Cabinet as it would require savings to be made to offset an increase in the budget or reducing the overall service to contain the expenditure. The Cabinet would need to be made aware of the potential consequences either of the actions would bring, in terms of budget impact or Housing Benefits claims processing and income collection, before it made a decision either way.

2.2 Performance Issues

The new contract will make provision for compliance with a number of key performance targets concerning provision of the service. The targets will need to be complied with to ensure no DWP intervention regarding Housing Benefit or reductions in Housing Benefit subsidy, both of which could impact detrimentally on the authority.

2.3 Environmental Impact

There are no direct environmental impacts anticipated from the recommendations contained within this report.

2.4 Risk Management Implications

There is the risk that a new supplier will also not deliver the quality aspect of the contract, or that to meet quality thresholds (which are necessary in order that Harrow mitigates the risk to the DWP's £150m subsidy Harrow receives to compensate it for the Housing Benefit awards it grants) the market price may be much higher than the existing available budget.

2.5 Equalities implications

As third party support is already provided through the existing third party resilience contract, it is not currently anticipated that there will be any significant implications for Harrow Council employees and its stakeholders. If the recommendation to re-procure the service is agreed, due regard to equalities considerations will be addressed through the procurement and commissioning process.

2.6 Corporate Priorities

The recommendations contained within this report support the Council's corporate priority "Efficient and Effective Organisation" set out in its Corporate Plan.

The re-procurement also supports those who are financially vulnerable by ensuring the Housing Benefit Service continues to deliver financial assessments in a timely manner and those requiring financial support with rents receive it quickly and without delays.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 11 September 2017		
Name: Stephen Dorian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 28 August 2017		

Ward Councillors notified:	NO
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EqIA carried out:	No
EqIA cleared by:	N/A

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:

None

Call-In Waived by the Chair of Overview and Scrutiny Committee	NO <i>[Call-in applies]</i>
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