

LONDON BOROUGH OF CROYDON

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STATEMENT OF EXECUTIVE DECISIONS MADE BY THE CABINET MEMBER FOR FINANCE AND RESOURCES ON 20 JULY 2018

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012.

The following apply to the decisions listed below:

Reasons for these decisions: are contained in the Part A report attached

Other options considered and rejected: are contained in the Part A report attached

Details of conflicts of Interest declared by the Cabinet Member: none

Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Member: none

The Leader of the Council has delegated to the Cabinet Member the power to make the executive decisions set out below:

DECISION REFERENCE NO.: 2418FR

Decision Title: Variation to Contract for Revenues and Benefits Hosting and DR Support and Maintenance

Having carefully read and considered the Part A report and the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the reports, the Cabinet Member for Finance and Resources in consultation with the Leader of the Council

RESOLVED

The Cabinet Member for Finance and Resources in consultation with the Leader of the Council is recommended to approve a variation to the contract with Northgate Public Services Limited for Revenues and Benefits Hosting, DR and Support and Maintenance in accordance with regulation 29 of the Councils Contracts and Tenders Regulations, which will result in an additional one plus one years to the contract at an additional cost of £380,000 and a maximum total contract value of £878,000.

Notice date: 20 July 2018

For General Release

REPORT TO:	Cabinet Member for Finance and Resources
SUBJECT:	Variation to Contract for Revenues and Benefits Hosting and DR Support and Maintenance
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER:	Councillor Simon Hall, Cabinet Member for Finance and Resources
WARDS:	ALL

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Northgate Revenue and Benefits system is a key tool used in the provision and administration of Council Tax, Business Rates, Housing Benefits and Council Tax Support, enabling the Council to meet three key ambitions as part of the Corporate Plan, **growth** creating growth in our economy, **independence**, helping residents to be as independent as possible, **livability**, creating a welcoming pleasant place in which people want to live.

FINANCIAL IMPACT:

The proposed variation to the contract of an extension of one year with the option of a second year will cost £190,000 per annum which represents an inflationary increase only on the existing service cost. The total cost of the extension (if both years are exercised) will be £380,000.

The initial contract term of three years cost a total of £498,000 which itself represented a significant saving on the pre-contract price. The revised total contract cost will be £878,000.

The cost of the extension will be met from existing Revenues budgets.

KEY DECISION REFERENCE NO.: N/A

The Leader of the Council has delegated to the nominated Cabinet Member the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

- 1.1 The Cabinet Member for Finance and Resources in consultation with the Leader of the Council is recommended to approve a variation to the contract with Northgate Public Services Limited for Revenues and Benefits Hosting, DR and Support and Maintenance in accordance with regulation 29 of the Councils Contracts and Tenders Regulations, which will result in an additional one plus one years to the contract at an additional cost of £380,000 and a maximum total contract value of £878,000.

2. EXECUTIVE SUMMARY

- 2.1 This report recommends varying the contract with Northgate Public Services Limited to extend the term by one further year with the option of a second one year extension.
- 2.2 The original contract term was approved at the Council's Contracts and Commissioning Board on 30 April 2015 reference number CCB0995/14-15.
- 2.3 The content of this report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
5 July 2018	CCB1380/18-19

3. DETAIL

- 3.1 Revenues and Benefits services entered into a 3 year contract with Northgate from 1st November 2015 to provide Revenues and Benefits hosting, disaster recovery and support and maintenance services. The services provided in the term of the contract have been good.
- 3.2 Automation and digitalisation of the Revenues collection function, Universal Credit and increasing digital interaction with citizens is expected to change the solutions and systems offered to support the Revenues and Benefits services in the near future such that there is little advantage in changing providers at this point in time. There is no other provider in the market that can provide the same bundle of services and it is considered essential for stable overall service delivery that these services are provided under one contract. Therefore to extend the existing contract is the right business decision for the Revenues and Benefits service for a term of up to two years.
- 3.3 In the initial contract award Northgate were asked to adjust the proposed service package to facilitate the Council's key strategy for 24/7 engagement with citizens and enable extended homeworking and this remains in place for the term of the contract extension.
- 3.4 Northgate was also requested to include social value considerations in their proposal. The corporate responsibility offer from Northgate includes a volunteering scheme for Northgate employees to support local organisations and this remains in place for the contract extension.
- 3.5 Evaluation of the extension to the contract were undertaken by officers from the ICT Client Unit, procurement and the Head of Customer Contact.
- 3.6 As the service delivery under the current contract has been working well over the last 3 years, a request has been made to Northgate to vary the existing contract and extend this for one year with the option to extend for an additional year, i.e. 2 years in total bringing the contract term to 5 years. The contract end date will be 31st October 2020. The supplier has agreed to this request subject to the Council's internal governance.

3.7 The proposed contract extension will ensure that Revenues and Benefits have service continuity, and this will also enable the service to start a re-tender process for the provision of these services to be in place for October 2020. During this period the service will consider issuing a Prior Informative Notice or other early market engagement to mitigate the risk of possible challenge due to the extension under PCR 2015. This will ensure that the Council continues to receive best value for money in respect of services provided.

4. CONSULTATION

4.1 Internal consultation has taken place with senior officers from Revenues and Benefits, ICT, procurement and the Director of Governance.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 **Revenue and Capital consequences of report recommendations** *[NOTE: do not split table over 2 pages]*

	Current year	Medium Term Financial Strategy – 3 year forecast	
	2018/19	2019/20	
	£'000	£'000	
Revenue Budget available			
Expenditure	207	207	
Income			
Effect of decision from report			
Expenditure	189	189	
Income			
Remaining budget	<u>18</u>	<u>18</u>	<u></u>
Capital Budget available			
Expenditure			
Effect of decision from report			
Expenditure			
Remaining budget	<u></u>	<u></u>	<u></u>

5.2 The effect of the decision

The variation to the contract commits the Council to a maximum two year contract totaling £190,000 each year, and increasing the total contract value to £878,000. This will secure continuity of service for the Council.

5.3 Risks

Northgate Information Solutions have in the past been subject to poor financial health ratings. In December 2014 Northgate Public Services - which is the division who develop and support the applications such as OHMS and Swift, was sold from the wider Northgate Information Solutions Group to Cinven, a European private equity firm. They are now considered to be financially sound.

There is a procurement risk present in extending the existing contract beyond its terms without the provision to do this within the contract. A variation is being requested as any change of contractor would cause significant inconvenience or duplication of cost whilst the Council is in the midst of major change as explained in this report. However as the value of this extension however will exceed 50% of the original contract cost (if both years of the proposed extension are taken) this would not fall within the permitted variation allowed for on these grounds under the public procurement regulations 2015. There is therefore some risk that the modification could be subject to challenge as an above threshold contract which should be subject to a new procurement process. The risk of challenge is low as there is a limited number of suppliers used to the limited movement within the market.

5.4 Options

An option to not extend the contract was considered as the service could have gone back out to the market place to re-procure the service delivery at the end of the contract term. This was subsequently rejected as the service delivery during the last 3 years has been good and the contract extension price has been fixed at the same as the previous 3 years (subject to an inflationary increase). So the service continues to benefit from the reduced costs.

The ongoing changes and impacts of Universal Credit and continued automation of the service mean that any change at this time will have a significant impact on the provision of services. The contract variation proposed will enable the impact of these changes to be properly assessed before a re-procurement is undertaken.

5.5 Future savings/efficiencies

The contract extension price has been fixed at the same price as the previous three years, subject to inflation, therefore the business continues to benefit from the reduced costs of the existing contract.

Ian Geary Head of Finance

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 Legal risks are set out in the report

Approved by: Sonia Lakhari on behalf of Sean Murphy

7. HUMAN RESOURCES IMPACT

7.1 There are no Human Resources issues arising from this report.

Sue Moorman Director of Human Resources

8. EQUALITIES IMPACT

8.1 A detailed / full Equality Analysis has not been undertaken as this was not required for the award of the initial contract, for the following reason(s):

8.2. Section 1 of the Equalities Analysis has been completed and the resulting decision is:

8.3 An Initial Equality Analysis was undertaken to assess the likely adverse impact the contract award would have on protected groups compared to non-protected groups. The analysis concluded that a full equality analysis will not be required due to the fact that the extension to the contract would not have any adverse impact on protected groups compared to non-protected groups

8.4. This was initially approved by the Equalities Officer on 20th April 2015

9. ENVIRONMENTAL IMPACT

9.1 There are no existing assets to be disposed of as a result of the extension period. Any existing equipment will be maintained in its current locations so there are no environmental nor design impacts associated with this project.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 The variation to the contract will have no additional impact on the prevention of crime and disorder above the current considerations.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1. The initial contract represented a significant saving over the historic long run costs. The contract extension period is priced at the same as years 2 and 3 of the initial contract, with the addition of inflation, and therefore the cost savings remain similar.

- 11.2. The extension will ensure that there will be no service disruption.
- 11.3. The support levels under the contract meet the business requirements to ensure the Revenue and Benefits IT system is supported and available to meet the administration of local Revenue and Benefits needs.

12. OPTIONS CONSIDERED AND REJECTED

- 12.1 An option to not extend the contract was considered as the service could have gone back out to the market place to re-procure the service delivery at the end of the contract term. This was subsequently rejected as the service delivery during the last 3 years has been good and the contract extension price has been fixed at a similar level to the previous 3 years. So the service continues to benefit from the reduced costs.
- 12.2 The ongoing changes and impacts of Universal Credit and continued automation of the service mean that any change at this time will have a significant impact on the provision of services. The contract variation proposed will enable the impact of these changes to be properly assessed before a re-procurement is undertaken.

CONTACT OFFICER:

Name:	Catherine Black
Post title:	Head of Customer Contact
Telephone number:	07715370951

BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972

None