

Notice of KEY Executive Decision

Subject Heading:	Direct award to Capita plc Group for the Revenues & Benefits System
Cabinet Member:	Councillor Roger Ramsey
SLT Lead:	Jane West, Chief Operating Officer
Report Author and contact details:	Chris Henry, Head of Council Tax & Benefits, ext. 2413
Policy context:	To award a contract direct to Capita plc Group for the Council Tax, Business Rates, Housing Benefit and Council Tax Support applications.
Financial summary:	£108,432 per annum for five years. The total cost, £542,160, will be funded from the Business Systems revenue budget for Applications Management.
Reason decision is Key	Expenditure exceeds £500,000
Date notice given of intended decision:	July 2019
Relevant OSC:	Scrutiny
Is it an urgent decision?	No
Is this decision exempt from being called-in?	No

Confidential Appendix This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

It is in the exempt part of the agenda because it refers to:

(a) estimates of the expenditure to be incurred for the supply of goods or services; and

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(b) the terms of the transaction between the Council and the prospective contractor;

and, in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input checked="" type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input checked="" type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

1. To agree to award a contract to Capita Business Services Ltd. for the Council's current revenues and benefits management system under Lot 2a of the Crown Commercial Services RM3821 framework, to commence on 1 April 2021 for a period of five years with a total value of £542,160.
2. To remain with the on premise solution for hosting the Revenues and Benefits application.

AUTHORITY UNDER WHICH DECISION IS MADE

Part 3 Section 3.3 of the Constitution. Powers of Members of the Senior Leadership Team, Contract Powers

Paragraph (a) To approve commencement of a tendering process for all contracts above a total value of £500,000.

Paragraph (b) To award all contracts with a total contract value of between £500,000 and £5,000,000 other than contracts covered by Contract procedure

Rule 16.3.

STATEMENT OF THE REASONS FOR THE DECISION

1. Introduction

- 1.1 The Council has a statutory duty to administer and collect Council Tax, National Non Domestic Rates (NNDR), Housing Benefit and Council Tax Support and Discretionary Housing payments for the residents of Havering.

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- 1.2 The software currently used to enable the administration of these statutory functions is known as Advantage Revenues and Benefits and is supplied by Capita Business Services Ltd (Capita).
- 1.3 During 2019/20, the Council collected Council Tax from approximately 104,000 domestic households, Business Rates from approximately 6,000 commercial properties and administered Housing Benefit and Council Tax Support (HB/CTS) for approximately 17,500 residents in Havering.
- 1.4 The Revenues and Benefits applications are resilient and capable of handling extremely high volumes of accounts and complex transactions managing more than £330million in Council Tax, HB/CTS, Discretionary Housing payments and NNDR in 2019/20.
- 1.5 The Council's current contract with Capita commenced on 1 April 2018 and is due to expire on 31 March 2021. A replacement is required upon its expiry.
- 1.6 For the reasons given below, it is proposed to award the replacement contract to Capita. The value of the contract with Capita for the provision of support and maintenance should not exceed £544,935 plus RPI over five years from 1 April 2021.

2. System Functionality

- 2.1 The following core business systems are required to administer the key functions mentioned above:
 - Council Tax Administration, Collection & Enforcement
 - Housing Benefit and Council Tax Support
 - Discretionary Housing Payments
 - Housing Benefit Overpayment Income and Debt Management
 - National Non Domestic Rate Administration, Collection and Enforcement
- 2.2 All applications above interface electronically with the Council's financial and management information systems. The HB/CTS system also interfaces with the housing system and receives data from the Department of Work and Pensions (DWP) electronically which updates Housing Benefit records automatically.
- 2.3 Within each business system, customer self-service is available and there is a full suite of management information reports.

3. Comparing the Market

- 3.1 A detailed review and analysis of the market has taken place. In view of the commercially sensitive information detailed in the offers, the market analysis has been confined to Appendix A of this report to ensure confidentiality.
- 3.2 There are three major suppliers (including Capita) in the market who are able to provide robust revenues and benefits systems. All three suppliers were invited to demonstrate their

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applications in January 2020. As expected, the demonstrations indicated the suppliers provided resilient and legislatively compliant applications.

3.3 There were a few differences of note found in the functionality between suppliers, none of which made one supplier product stand out over the Capita product.

3.4 On Premise and Cloud Hosted Services

3.5 The term on premise is used to describe where the hardware, the servers on which these large core business applications sit, are located. For Havering, they are located in a dedicated datacentre located adjacent to the Town Hall and are managed by oneSource ICT. The costs for an on premise solution were provided by the suppliers and can be located in Appendix A.

3.6 If a supplier other than Capita were to provide the applications for the administration of revenues and benefits on premise, this would incur one off data migration costs for the supplier that would be chargeable to Havering.

3.7 Data migration of large volume transactions and information carries significant risk. The integrity of accounts and claims would be put at risk which could may affect cash flow to the Council as well as cause hardship to the residents of Havering. A robust project plan, timetable and team of staff across the Council and the new supplier organisation would be required for approximately six to nine months to ensure a successful migration.

3.8 There will also be significant General Data Protection Rules (GDPR) issues to consider to securely manage and control the process through data migration. Security, reputation and financial losses through penalties must also be maintained and avoided during and after this process.

3.9 Data migration costs have been estimated by the Suppliers and can be found in Appendix A. The Council would also incur migration costs as additional resources would be required to safely and securely test, develop and check the process of data transfer and managing new and legacy systems. The additional resources would be required for six to nine months which is likely to be the length of the migration process and is estimated at £300,000. This cost will be in addition to the supplier cost of migration.

3.10 Capita plc Group provided the best value quote for an in premise solution.

3.11 A Cloud hosted service is used to describe the management and storage of applications off site by a third party rather than on premise. A cloud hosted service has been considered in accordance with the Council's Digital strategy.

3.12 All suppliers were asked about their cloud strategy and offering and their response is contained within Appendix A. Capita's offering was the least expensive estimate.

3.13 oneSource ICT also provided independent estimates of the savings Havering could achieve in the table below.

Havering Estimated Savings	
ICT resources - per annum	£57,100

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Over 5 years	£285,500
Service resources	£0
Servers - one off	£20,000
Total estimated saving	305,500

3.14 If a Cloud solution was accepted from the best value provider, there would be an overall loss to the Council of just over £50,000 across the term of a five year contract. Costs above the contract value may also be incurred in the future by the service, as it is unknown how much bespoke work will be required from the supplier that would normally have been handled by oneSource ICT.

3.15 Market testing has shown that cloud hosted services are an untried and untested market for revenues & benefits applications. There are significant risks that could interrupt the business as usual (BAU) of the Revenues and Benefits Service who administer over £330million in income and benefits for the Council.

3.16 The knowledge and expertise regarding the management and storage of the revenues and benefits systems currently lie in-house within oneSource ICT. In a few years, once Suppliers have gained the knowledge and learned from experience having taken on cloud hosted services for other revenues and benefits billing authorities, Havering may be confident considering cloud offerings. Currently however, the offer is neither mature nor best value for money.

4 Reason for Direct Award

4.1 The current revenues and benefits system has been managed on premise for 22 years and has proven to be effective and reliable being developed with Government and councils to provide an excellent, innovative service, tailored to the needs of residents and customers.

4.2 Soft market testing has demonstrated that competitor software applications are comparable in terms of use and functionality but not better than the current supplier. Capita are the only supplier who manage Council Tax annual billing and benefit uprating which is an essential requirement for any system provider.

4.3 Migration costs are high and a minimum of 450,000 expenditure will be avoided if Havering were to remain with the current supplier.

4.4 While system functionality remains equivalent across the market place and Capita are shown to be the best value provider, migration costs to a new supplier system would be unwarranted. Awarding a contract to the existing supplier will avoid the requirement to budget for migration.

4.5 A full system specification has been drawn up which reflects the Council's current and future Revenues and Benefits requirements. Capita Business Services Ltd. is the only supplier on Lot 2a of the Crown Commercial Service (CCS) Data and Application Solutions (DAS) Framework agreement (RM3821) that meets the Council's requirements. It is

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possible therefore to directly award a 5 year contract with the option of extension for up to a further 2 years to Capita under the CCS framework.

- 4.6 A direct award under the DAS Framework is straightforward and complies with the EU procurement requirements.
- 4.7 A direct award to Capita will minimise any risk to the Council's income of collecting Council Tax, Business Rates, Housing Benefit Overpayments and assessing Benefits for the Council.
- 4.8 As set out above, best value has been considered fully as part of this recommendation. A five year contract plus the option to extend for a possible two years will give the market time to fully test their cloud offering. Should the market for revenues and benefits cloud hosted services have matured within the term of this contract, the Council will have the right to terminate the contract at any time giving 90 days' notice.
- 4.9 There are likely to be further savings across the organisation resulting from the introduction of improved processes and procedures which are typically available with a modern system such as Capita.

5 Timescale and Budget

- 5.1 Immediately upon approval of this procurement, the Council will commence the process for a direct award and the new contract will take effect from 1 April 2021
- 5.2 Under the Crown Commercial Service DAS framework, the duration of the contract will be for a maximum of seven years including the extension period.

The table below reflects the costs of the contract over five years.

Estimated costs over the term of the proposed contract					
2021/22	2022/23	2023/24	2024/25	2025/26	Total
£108,432	£108,432	£108,432	£108,432	£108,432	£542,160

- 5.3 Software maintenance and licence costs have been estimated using 2019/20 costs over the term of the contract and will be subject to RPI. An extension for two years would cost a further £108,432 x 2= £216,864.
- 5.4 This contract will allow for changing priorities, developing technologies and cloud hosted services to be reviewed and included ensuring the supplier is sufficiently incentivised throughout the life of the contract to provide high quality services.
- 5.5 The annual costs will be funded by Business Systems Annual Revenue Budget for Applications Management Software.
- 5.7 Subject to approval, contract award will be undertaken in accordance with the Council's Contract Procedure Rules.

OTHER OPTIONS CONSIDERED AND REJECTED

Covid 19 brings the following complications to all of the options considered and rejected.

Migration workshops and meetings: There will be a substantial reliance on technology and network connectivity to enable staff working remotely to interact with colleagues and communicate effectively. Organisations use different software (Zoom, Google Meet etc.) to communicate and this could slow testing, delay bug fixes and extend the migration process which will incur costs.

Resources: Budgets would need to be determined and set aside for a migration and back-filling of staff. Prices may fluctuate as vendors increase their costs to make up for lost income and reduce their financial difficulties.

Changing systems of this magnitude will create additional physical and mental challenges to staff, some of whom are already stretched to full capacity meeting increasing demands on the service arising from Covid19 mitigation (Business Rates grants, Council Tax deferred instalments and Council Tax Support Hardship payments).

The following options were considered with a direct award chosen as the most cost effective and efficient choice.

Option 1. Do Nothing

The Council has a statutory duty to collect taxes and administer benefits. The Council would be in breach of its legal responsibilities if it were to do nothing. The system would not be upgraded or properly maintained which would risk the Council's income as Benefits would be paid incorrectly and subsidy would be lost. Council Tax and Business Rates cash flow would also reduce because bills could not be issued and the statutory recovery process could not progress as this is part of the annual upgrade process. Income of over £330 million could not be collected without planned system upgrades and maintenance. .

Option 2. Mini competition via Framework Agreement

A mini competition via a framework agreement for the Revenues and Benefits system is an alternative route to the market to procure a single service provider. It is a complex and lengthy process requiring substantial resources. As set out in the body of this report, a direct award to Capita is considered the least risk and best value option for the Council.

Option 3. Joint Procurement with Bexley

Preliminary discussions noted the disparate operating models for each Revenues and Benefits services and concluded the requirements for each authority was insufficiently aligned to make efficiencies from a joint procurement.

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Option 4. Joint Procurement with Newham

Newham Council's Revenues and Benefits system is supplied by Northgate. If a joint procurement were to take place, one of the councils would need to migrate to the successful provider if it is not their own existing supplier. Neither borough have the appetite to expend an estimated £560,000 for Newham or £300,000 for Havering on migration fees to change revenues and benefits systems. The impacts of migration for both council's cash flow and the length of time it would take for the efficiency to be realised, made this option untenable.

PRE-DECISION CONSULTATION

There is no requirement for a pre-decision consultation.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Chris Henry

Designation: Head of Council Tax & Benefits

Signature:



Date: 2 July 2020

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Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

The current Revenues and Benefits maintenance contract with Capita plc Group commenced on 1 April 2018 and is due to expire on 31 March 2021.

The value of the proposed procurement is £542,160 for a five year contract.

The Council is a contracting Authority for the purposes of the Public Contract Regulations 2015. The value of the contract exceeds the EU threshold for Services of £189,330. Public Contracts Regulations 2015 (PCR 2015) compliant procurement is therefore required.

As a local authority, the Council is named on the RM3821 contract award notice (2019/S 041-093753) and is entitled to call off from the framework.

The proposed direct award call-off contract will be compliant with the PCR 2015 as long as the framework rules for direct award have been complied with.

Officers have confirmed that the proposed direct award is compliant with the framework rules. The framework allows call off contracts to be awarded for a maximum of five years with up to 24 months extension. The proposed contract complies with this maximum term requirement.

Following award of the contract, a contract award notice should be published and a voluntary stand-still period observed prior to entering into the contract.

FINANCIAL IMPLICATIONS AND RISKS

The total costs of the contract are estimated at £542,160.

Estimated costs over the term of the proposed contract as below.

Estimated costs over the term of the proposed contract					
2021/22	2022/23	2023/24	2024/25	2025/26	Total
£108,432	£108,432	£108,432	£108,432	£108,432	£542,160

Software maintenance and licence costs have been estimated based on 2019/20 costs and are subject to RPI over the term of the contract.

The annual costs will be funded by Business Systems Annual Revenue Budget for Applications Management Software.

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HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

The recommendation in this report does not give rise to any identifiable HR implications or risks that would affect either the Council or its workforce.

However, if the recommendation is not upheld and the cloud hosted system was the only option there will be risk to staff within the ICT department who currently manage the Revenues and Benefits system. The recommendation to remain on premise would mean there are no identifiable implications and risk from this recommendation.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

There are no direct equalities and social inclusion implications or risks arising from this decision.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

An EqHIA (Equality and Health Impact Assessment) is usually carried out when a proposed or planned activity is likely to affect staff, service users, or other residents.

The measures imposed by government and the Council in response to the threat posed by the Coronavirus, interrupted the usual statutory functions of collection and recovery of debts. Therefore, the phased resumption of these legal operations do not require an EqHIA to be undertaken.

An Equalities Analysis is not required for the procurement of a Supplier for the revenues and benefits software system.

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HEALTH AND WELLBEING IMPLICATIONS AND RISKS

There are no direct health and wellbeing implications or risks arising from this decision.

The existing Revenues and Benefits system provides a stable environment from which taxes and benefits are collected and administered. This will positively affect households allowing individuals to manage their incomes during Covid19.

APPENDICES

Appendix A – Comparing the Market

BACKGROUND PAPERS

None

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Delete as applicable

Proposal NOT agreed because

Details of decision maker

Signed

Name:

Cabinet Portfolio held:

CMT Member title:

Head of Service title

Other manager title:

Date:

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Committee Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____