

Subject:	Contract Award: Revenues, Benefits, Customer Contact, Emergency Out of Hours and supporting IT systems	Status:	For Publication
Report to:	Council	Date:	30 th January 2019
Report of:	Head of Finance and Head of ICT & Customer Services	Portfolio Holder:	Resources
Key Decision:	X <input type="checkbox"/> Forward Plan X <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	Yes/No	Attached: Yes/No
Biodiversity Impact Assessment	Required:	Yes/No	Attached: Yes/No
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1.	RECOMMENDATION(S)
1.1	<p>That Members award the contract for Revenues, Benefits, Customer Contact, Out of Hours and supporting IT systems, commencing Oct 2019, as follows:</p> <ul style="list-style-type: none"> - Lot 1: Revenues, Benefits, Customer Contact to Capita Business Services Ltd, initially for ten years (with option to extend of 2 x three years) - subject to any further evaluation and due diligence. - Lot 2: Supporting IT systems to Northgate, initially for seven years (with option to extend of 3 x three years) - subject to any further evaluation and due diligence. - Lot 3: Emergency Out of Hours to Capita Business Services Ltd, initially for ten years (with option to extend of 2 x three years) - subject to any further evaluation and due diligence.
1.2	That Members authorise Officers, upon completion of any further evaluation, due diligence and a standstill period, to enter into the appropriate legal arrangements with each party and that minor contractual adjustments are delegated to the Head of Finance and the Head of Customer Service & ICT, in consultation with the Portfolio Holder for Resources.

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is, following an OJEU (Official Journal of the European Union) process to enable Members to consider the awarding of the contract for Revenues, Benefits, Customer Contact, Out of Hours and supporting IT systems.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **A clean and green Rossendale:** our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.
- **A connected and successful Rossendale that welcomes sustainable growth:** our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always

looking for new and innovative ways to make the resources we do have, work harder for us.

- **A proud, healthy and vibrant Rossendale:** our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit.

4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- Failure to ensure robust provision of a core statutory service which is focused on assisting c.5,800 households, which includes some of the most vulnerable members of the Rossendale community – the recommended solution deals with this matter.
- Ensuring that the cost of the service provision is commensurate with Council resources – the positive impact on the Council's finances is noted below,
- Ensuring that the final legal and contractual arrangements adequately protect the Council for the duration of the contract – appropriate legal advice will be sought.
- Ensuring that appropriate tender and procurement arrangements have been complied with which protect the Council from challenge – guidance has been received throughout the procurement process from internal and external legal advisors.
- Ensuring the sustainability of the chosen service provider – this matter is considered below.
- Implementation delay resulting in delays to the overall project go live date of the 1/10/2019 – this will be mitigate by robust project planning.
- Delays caused by third party issues such as technology, licensing, resource both human and cash - Clear definition of a statement of works, robust project planning, adequate ICT resource dedicated to the project.
- Loss of data caused when migrating the entire Revenues & Benefits systems to a new application and Data Centre – part of the planning process including appropriate back up procedures to ensure a smooth transition.

5. BACKGROUND AND OPTIONS

5.1 The current 13 year contractual arrangements with Capita end on 30th September 2019. The service provision currently consists of:

- Council Tax, NNDR administration (in conjunction with Valuation Office Agency), billing, collection, debt recovery etc.
- Council Tax Support and Housing Benefits administration.
- Call centre management including switchboard located at Futures Park.
- Out of hours' emergency call handling.
- Management of the Council's customer front facing One Stop Shop based at Futures Park, Bacup.
- Revenues and Benefits ICT including Northgate application, document management, IEG4/Citizen Access (ie digital engagement between customers and council) and Capita Advantage online web forms, Business Objects reporting application.
- Corporate scanning for all Revenues and Benefits.
- Provision of Central Government's Public Service Network(PSN) security requirements for service delivery, information management and hosting.

The annual cost of the current service is £1.17m

5.2 In determining the potential options for service provision beyond September 2019, Officers considered the following:

Option	Conclusion
Bring back in-house	<p>Given the size of the Council and its customer client base, Officers concluded that a third party, with existing infrastructure and capacity was best placed to deliver the maximum economies of scale, value for money and therefore the best contract price and deliver what is essentially a transactional driven process and service.</p> <p>Consideration was given to given to bring back in-house the OSS and its c.seven staff, however, this has the potential to cause a lack of accountability and integration in not having a seamless process between the customer front facing teams and the back office processing.</p>
Shared service working with another authority	<p>The process of an open tender is equally applicable to submissions from the public sector as well as the private sector. A tender process was therefore open to another willing local authority to bid. Officers did make other local authorities in the region aware of the Council's tender, but no public sector bids were forth coming.</p>
Competitive tender all or part of the service	<p>This option was deemed the most appropriate resulting in an OJEU as follows:</p> <ul style="list-style-type: none"> • Lot 1: Revenues, Benefits, Customer Contact (10 years with 2 x 3yr extension options) • Lot 2: Supporting IT systems to Northgate (7 years with 3 x 3yr extension options) • Lot 3: Emergency Out of Hours (10 years with 2 x 3yr extension options)

5.3 Internal project team:

- Head of ICT & Customer Services
- Service Assurance Manager
- Service Assurance Officer
- Head of Finance

The team of four created the service specification, assisted by ArranJay Consulting Ltd (cost £10k) who acted as a "critical friend" in the design of the service specifications (the main focus being Lot1). ArranJay assisted the Council in the initial 2006 tender process.

The OJEU notice process and contractual arrangements were undertaken by Hyland Legal

(cost c. £8.5k to date)

5.4 The evaluation process had two elements. Firstly confirmation that the bidder had the financial resources and experience to provide a long term commitment to the Council. All bidders passed this test.

The second stage was a formal scoring of the bidder's response to the specification requirements and to price. The table below show the maximum % points available and the actual scores awarded. In the case of price the lowest bid was awarded the maximum score with other bids awarded a score relative to the lowest score. The overall scores were as follows:

Lot 1

Bidder	Response to specification (50%)	Price (50%)	Total (100%)
Capita Business Services Ltd	42.1%	50.0%	92.1%
One other bidder	39.4%	41.1%	80.5%

Specification evaluation panel:

- Head of ICT & Customer Services
- Service Assurance Manager
- Head of Finance

Finance evaluation panel:

- Finance Manager
- Finance Accountant

Lot 2

Bidder	Response to specification (40%)	Price (60%)	Total (100%)
Northgate (single bidder)	39.4%	60.0%	99.4%

Specification evaluation panel:

- Head of ICT & Customer Services
- Projects Officer (ICT)

Finance evaluation panel:

- Finance Manager
- Finance Accountant
- Customer Relationship Officer (ICT)

Lot 3

Bidder	Response to specification (20%)	Price (80%)	Total (100%)
Capita Business Services Ltd (single bidder)	16.8%	80%	96.8%

Specification evaluation panel:

- Head of ICT & Customer Services
- Service Assurance Manager
- Head of Finance

Finance evaluation panel:

- Finance Manager
- Finance Accountant

NB – The Internal Audit Manager attended the consolidation of scores meeting. Neither of the two separate panels was aware of the other panel's scores until the consolidating meeting.

5.5 Financial Implications for the Council's Medium Term Financial Strategy (MTFS)

The last MTFS update (October 2018) assumed a £50k pa saving commencing 2020/21 onwards. In accepting the above recommendations the following savings and initial costs are anticipated:

19/20	20/21	21/22	22/23	23/24
£000	£000	£000	£000	£000
(43)	10	146	185	179

NB – the negative in 2019/20 is due to, in the main, RBC requiring migration of ICT currently provided and controlled by Capita to a hosted ICT solution under the direct control of Council.

5.6 Capita plc

Capita Business Services Ltd (CBS) is a separate legal entity and subsidiary of Capita plc. CBS and has been assessed as having the financial resilience and necessary experience to be able to offer the Council a long term solution to its service requirements. That said, Capita plc in April 2018 announced a £701m Rights Issue to support a new strategic direction see:

<https://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/CPI/13613753.html>

The Rights Issue was deemed a success with a 97.25% take up the balance being subject to a prior underwriting agreement.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial implications are noted in the report.

7. MONITORING OFFICER

7.1 Full legal support has been given throughout this robust procurement process and mitigates against any potential challenge. All necessary due process will be undertaken in the event of approval and upon conclusion of the standstill period all legal agreements will be concluded with the successful bidder.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 An all Member briefing was presented on 21st January 2019 by the Council's project team.
8.2 Regular updates to the two Portfolio holders for: Resources and Health, Housing, Communities and Customer Service

9. CONCLUSION

9.1 The procurement project commenced at the start of 2018 and followed a robust project management process reporting regularly to the Corporate Programme Board. The internal project team of 4 Officers (Revenues, Benefits, Customer contact, ICT and Finance backgrounds) were supported with external experts as required (in particular procurement/legal and revenues/benefits specialist).

The evaluation of the tender ensured a segregation of the two elements (response to the service specification and price). In particular in finalising the evaluation scores of the substantive service requirement of Lot 1 the gap between the two bidders is significant.

The contract for revenues, benefits, customer contact, Emergency out of hours and supporting IT systems is the Council's largest annual contract in financial terms and long term commitment. Officers believe that Members should be able to take the necessary assurance on the procurement process in order to award the contacts as recommended.

Finally, the recommendation gives the necessary certainty re the quality and sustainability of the Council's future service delivery requirements at a contract price which supports and contributes to the MTFS.

Background Papers	
Document	Place of Inspection
Project Initiation Document	Finance Department
Tender pack for each of the three lots	
Submissions from each of the potential providers	
Evaluation of the bid results	
All Member briefing	