

11 October 2023		ITEM: 13 Decision: 110672
Cabinet		
Revenue & Benefits SaaS (Software as a Service) – Reprocurement		
Wards and communities affected: N/A	Key Decision: Key	
Report of: Councillor D Arnold, Deputy Leader and Cabinet Member for Transformational Change, Communications and Governance		
Accountable Assistant Director: Andy Best – Strategic Lead - IT		
Accountable Director: Jackie Hinchliffe – Director of HR, OD and Transformation & Steven Mair – Chief Finance Officer		
This report is Public		

Executive Summary

Thurrock Council has a range of Software as a Service (SaaS) and software licence agreements with the current supplier NEC Software Solutions UK Limited; across multiple business areas: Housing, Revenue and Benefits (R&B), Blue Badge case management.

Due to the expanding relationship with the current supplier since 2004, several Revenue and Benefits agreements were running with mis-aligned start and end dates. An exercise was carried out in 2022 to align smaller agreements under one amalgamated CCS (Crown Commercial Services) agreement for Revenue and Benefits SaaS.

In line with internal governance guidance and PCR 15 a further competition procurement exercise needs to be undertaken to:

- Identify a provider to supply the Council with Revenue & Benefits SaaS
- Award services under one CCS (Crown Commercial Services) Vertical Applications Solutions framework RM6259

This report considers options and proposes a two stage approach. Phase one replaces the existing contract with a three year contract via CCS (Crown Commercial Services) with NEC, this allows the service time to work up a robust specification, tender documents etc to enable the Council to then undertake phase two, a

competitive process for the supply of the Revenue and Benefits software to ensure best value for the Council.

1. Recommendations

That Cabinet

- 1.1 Approve the procurement of a 3 year contract from November 2023 using the Crown Commercial Services Contract (CCS) Framework as set out in section 3.2 of this document**
- 1.2 Approve the commencement of a competitive procurement exercise from November 2023 to enable a 5-year contract (with the option to extend for 5 years) to be in place for November 2026, utilising the CCS Framework or other framework or competitive process.**
- 1.3 Delegate authority to Director of HR, OD and Transformation and the Chief Financial Officer to agree and award a new contract in consultation with the Portfolio Holder.**

2. Introduction and Background

- 2.1 The current Revenue and Benefits (SaaS) application provides the system required to operate all matters pertaining to Council Tax, Non Domestic Rates and Housing Benefits; it is one of the largest applications at the Council and has been in operation for nearly 20 years. The current contract ends in November 2023. A competitive exercise has not taken place in this time for a number of reasons. Issues which have been used to justify this in the past along with current circumstances are set out below:

Importance, Complexity and Development of the System

- 2.2 The functionality the Revenues and Benefits system provides is integral to supporting the annual billing and collection of Council Tax and Business Rates totalling over £240m, along with the assessment and administration of circa 6,000 claims for Housing Benefit and 9,000 for Council Tax support. The current software package also includes integrated document management, the customer portal (where residents can self-serve information and submit changes in circumstance) along with Risk Based Verification technology which minimises requesting and gathering additional information from claimants. The stability of remaining with the current supplier has enabled the service to deliver a number of process enhancements to work alongside the base product, which have contributed to significant efficiencies/ improvements in service outcomes to the benefit of both the resident and the Council. In terms of collection the latest national data set shows that Thurrock has one of the best collection rates in the country exceeding the national average by 2.3% for council tax and 2.8% for business rates – in monetary terms the combined effect means that Thurrock currently collects over £5m a year more

of the amount billed, in the year it was billed, when compared to the national average. It is therefore vital that any decision regarding procurement considers the impact that changing systems would have on performance/revenue and hence the lead in time proposed.

- 2.3 Any change to the existing Revenues and Benefits system would require a corporate project that would need to be fully scoped and resourced and would also require significant input from both the Revenues and benefits and IT teams at a time when larger project require organisational focus. Based on the last time the system was changed the cost of change would be in the region of £250k.
- 2.4 The database is the single largest in operation at the Authority and has over a thousand differing tables. The interfaces between this and multiple other authority systems is significant and there are complex relationships that means any changes would impact multiple systems.
- 2.5 There are over 70,000 properties and migration to a new system would require significant planning and resource and would take a minimum of 12 months work in advance of implementation – it would represent a major project for the council. At this stage the cost benefit of implementation versus savings over the term of the contract is unknown.
- 2.6 In addition to the improvements noted above exploratory work is underway to examine areas that can be further developed/improved. At this exploration stage these include:

Billing

- Review of remaining discretionary discounts/exemptions – underway;
- Consider business case to introduce Direct Debit for Sundry debt – underway;
- Consider business case to introduce of E billing for Sundry Debt and Business Rates – underway for Sundry debt;
- Use of RPA and workflow to enter Sundry invoice requests to remove duplication of work and risk of error – underway;
- Introduce Direct Debit functionality for Sundry Invoices – underway;

Benefits

- Review of Local Council Tax scheme – underway;
- Expansion of cheaper contact channels for outgoing benefits correspondence – linked to progression of the corporate INS solution

Debt

- Further phases of Single View of Debtor (SVOD) - subject to business case and current xantura review;
- Introduction of generic recovery stages – linked to SVOD;
- Expansion of multi contact channels – underway but also linked to SVOD;

Accounts Payable

- Use of existing Oracle scanning functionality for Accounts Payable – underway;
- Review to identify duplicate payments – initiative commenced.

2.7 As these are at the exploratory stage they have not yet been costed but give an indication of the planned potential improvements

Limited Competitors on Which to Conduct a Market Study

2.8 A market study has not taken place in the past due to there being few competitors in this market space, our current provider is 1 of 3 main operators.

Multiple Add on Contracts with Varying End Dates

2.9 An exercise was undertaken in September 2022 to align the end dates of multiple smaller contracts. These multiple agreements had arisen over time as a result of new and additional service modules increasing the capability and functionality of the Revenue and Benefits SaaS. Legal support was required to assist with this work and have the current provider commit to terminating all roll on services and amalgamating onto a 1 year contract which ends in November 2023. This now ensures the ground work for conducting a Go to Tender or Market Study.

Universal Credit Uncertainty

2.10 The Council has taken the view that Universal Credit has stalled developments of introducing new systems, new vendors, new modules and options because of the uncertainty of the proposed operating model. Local Authorities essentially operate Benefits on behalf of the DWP; given this could change or be withdrawn at any time has been a factor in delaying any previous new procurement exercises.

2.11 This failure to re procure competitively for this service for almost 20 years exposes the Council to risk, principally arising from:

Supplier Leverage

2.12 The current supplier's expanding relationship with the Council over the last 5 years has continued to operate on the suppliers terms and conditions. In 2022 the terms of engagement transitioned over to a direct award CCS framework agreement.

2.13 Regardless of this framework agreement the supplier is unwilling to provide service level commitments, service credits for failed commitments and

reporting inline with the Council's expectations.

- 2.14 It is clear there is complacency and imbalance in the relationship between the Council and the supplier. As such a competitive exercise will help to readdress this imbalance.

Compliance Issues

- 2.15 Due to the undertaking of an R&B SaaS change being an extensive exercise and the cost of implementation being an unknown factor the current supplier agreements have been rolled over on an annual basis for a number of years without any form of competition or market testing; from a procurement perspective it is currently in contravention of the Council's Constitution and PCR 15.

3. Issues, Options and Analysis of Options

3.1 Option 1: Procure a 1 Year contract under the CCS framework – Rejected

- 3.1.1 Procure a 1 year contract on the CCS Vertical Applications Solutions framework RM6259 on a direct award basis 1 year which will cost £364k.

Benefits

- The undertaking of a Revenue & Benefits SaaS change is a lengthy and time consuming exercise which usually forms part of a major transformation project. Remaining with a direct award framework agreement would be the least disruptive option for Revenue and Benefits operational business continuity.

Risks

- It would be anti-competitive
- Based on initial negotiations it is unclear if the prices offered are competitive.
- There is some complacency in the relationship between the current supplier and the Council; resulting in a reluctance by the supplier to provide sufficient reporting to monitor and manage the performance of the service provided
- There will continue to be a lack of transparency in the random and sporadic charges for software upgrades and releases
- It does not address the imbalance of power between the supplier and the council

- 3.1.2 This solution is rejected as 1 year does not give the Council enough time to plan for a tender exercise and it is financially the worst option as it represents a £150k increase in the current 1 year contract cost.

3.2 Option 2:

Phase 1: Award a 3-year contract from November 2023 using the CCS Vertical Applications Solutions framework RM6259 on a direct award basis, then;

Phase 2: Commencement of a competitive procurement exercise from November 2023 to enable a 5-year contract (with the option to extend for 5 years) to be in place for November 2026, utilising the CCS Framework or other framework or competitive process – Recommended

3.2.1 Procure a 3 year contract using the CCS Vertical Applications Solutions framework RM6259 on a direct award basis for a 3-year contract at a total cost of £1.147M to allow sufficient time for the service to document and streamline all current processes and procedures. Having done this then specify what it is the Council needs and can afford and cleanse all data and test it in time for a potential migration. Within the first 12 months of the contract award the Council will undertake the necessary work to prepare for competition under CCS Vertical Application Solutions framework RM6259 or other suitable framework to conduct a market study and award the Revenue and Benefits SaaS agreement to the most economically advantageous provider.

Benefits

- The undertaking of a Revenue and Benefits SaaS change is a lengthy and time consuming exercise which usually forms part of a major transformation project. Remaining with a direct award framework agreement would be the least disruptive option for Revenue and Benefits operational business continuity.
- Opting for a three year renewal and committing to a competitive procurement to be implemented following that would evidence the Council's medium term commitment to a full tender exercise and allow compliance with procurement regulations
- Three years lead in would allow the service to fully and properly prepare for a rigorous competition, review and implement changes internally to the service and ultimately ensure best value for the Council

Risks

- Would still be considered anti-competitive but would acknowledge the intent to procure in the medium term
- Based on initial negotiations it is unclear if the prices offered are competitive.
- There is some complacency in the relationship between the current supplier and the Council; resulting in a reluctance by the supplier to provide sufficient reporting to monitor and manage the performance of the service provided. This may be changed when the commitment to procure is made clear
- There will continue to be a lack of transparency in the random and sporadic charges for software upgrades and releases in the period to re procurement

- Does not address the imbalance of power between the supplier and the council until the full procurement is undertaken

3.2.2 This option is recommended on the basis that this will enable the Council to prepare fully for a competitive tender exercise in the first 12 months of contract ward and in the event that another supplier has a cheaper solution enable the Council to transition to that supplier in a controlled manner.

3.3 **Option 3: Procure a 5 Year contract under the CCS Framework - Rejected**

3.3.1 Procure a 5 year contract under the CCS Vertical Applications Solutions framework RM6259 on a direct award basis at a total cost of £1.03M

3.3.2 The same benefits and risks apply as in option 2 except that the Council would be carrying the anti competitive risk for an additional 2 years, the Council does not need 5 years to prepare and complete such an exercise and while the annual costs appears to be lower cost than the 3 years price it does not take account of what financial and service benefits may arise from a competitive exercise

4. **Reasons for Recommendation**

4.1 Although there are no major reported issues or concerns with the current product or relationship, the long term relationship has resulted in an imbalance of power and the contract does not give any recourse for service credits and regular reporting on service performance. Option 2 is an opportunity to ensure the Council is working towards securing best value for the service supplied in the medium term whilst allowing the Revenues and Benefits service to prepare for improvements in the service and a fully robust competitive process in a managed way.

4.3 It will ensure effective performance measurements are put in place for the duration of the future competitive contract.

4.4 It will enable the Council to mitigate challenges to its continuation with the existing provider while as noted pro-actively improving the situation in the near future.

4.5 It will put the Council in a stronger position with the current incumbent when the commitment to procure competitively is made public.

5. **Consultation (including Overview and Scrutiny, if applicable)**

5.1 Meetings and emails to discuss scope of the agreement between ICT and Revenue & Benefits

5.2 Presented to Strategic Approval Panel and Senior Leadership Team in March and May 2023 respectively.

- 5.3 Meetings and emails to discuss procurement options under framework.
- 5.4 The service will engage with other local authorities to ensure that enhanced practice is adopted and that options for shared services are explored.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 Any platforms will be accessible and enable positive equality outcomes.

7. Implications

7.1 Financial

Implications verified by: **Jo Freeman**
Finance Manager

- 7.1.1 The current annual cost of the contracts in place (which are due to end in November 2023) is **£0.214m**.

Option 1

- 7.1.2 To re-tender on a one-year contract (option 1) would result in a 70% increase in the annual cost for year 1:

Option 1	2023/24	Year 1
	£'000	£'000
Current cost	214	
One-year contract cost		364
Cost increase		150
% Cost increase		70%

- 7.1.3 It would be prudent to assume that there would be inflationary uplifts applied each year if this approach was taken and this leads to uncertainty in determining the full costs over a longer period.

Option 2

- 7.1.4 The recommended option of an initial 3-year award (option 2) would be comparable in cost to procuring on an annual basis (if inflation is assumed at 5%):

Option 2	Year 1	Year 2	Year 3	Total
	£'000	£'000	£'000	£'000
Procure on annual basis	364	382	401	1,148

Procure for 3 years	336	381	430	1,147
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7.1.5 This option, if approved, would require a budget increase of £0.216m over the three years (£0.122m in year one, a 57% increase on current costs), growth will need to be allocated in the Medium-Term Financial strategy:

Option 2	Year 1	Year 2	Year 3	Total
	£'000	£'000	£'000	£'000
Revised Budget requirement	336	381	430	1147
MTFS impact Option 2	122	45	49	216

7.1.6 Securing a 3-year contract manages the inflation risk and costs are known for the length of the contract.

7.1.7 Costs for phase 2 (to enter a 5-year contract from November 2026) are unknown at this stage but indicative costs suggest savings can potentially be achieved.

Option 3

7.1.8 To procure on a 5 -year term would be considered the most cost-effective approach compared to an annual procurement:

Option 3	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Procure on annual basis	364	382	401	421	442	2011
5 Year	155	180	205	230	260	1030

7.1.9 Growth would still be required in the MTFS of £0.121m over 5 years with an initial saving of £0.059m in year 1:

Option 3	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revised Budget requirement	155	180	205	230	260	1030
MTFS impact Option 3	-59	25	25	50	80	121

7.1.10 This option is not recommended as it runs an increased risk of challenge externally and potentially from subsequent reviews of the Council.

7.1.11 The one-off costs of change/implementation will be financed from the Council's investment funds. The increase in contract costs will be financed from further anticipated increases in the Council's base budget income/reduced expenditure as a consequence of the work planned to take effect noted in the report

7.2 Legal

Implications verified by: **Lauretta Faulkner**

- 7.2.1 The recommendation is for the Council to approve Option 2, namely (1) to undertake a competitive process using the CCS Framework or other suitable framework or process to provide a system for the Revenue and Benefits services for a period of 3 years, to take effect from November 2023 and also (2) the approval to commence a procurement process for a new Revenue & Benefits contract for a period of 5 years with an option to renew for 5 .
- 7.2.2 Where the estimated value for a contract for services exceeds £213,477 (inclusive of 20% VAT) (both contracts will exceed this value) the Council must observe:
- the Public Contracts Regulations 2015,
 - the Council's Contract Procedural Rules and general fiduciary duties and
 - the Local Government Act 1999, which requires the Council to make arrangements to achieved best value in the exercise of its functions.
- 7.2.3 Legal understands from the report that the original contract was with the current supplier since 2004, the contract was rolled over and in addition there were several amendments (including systems additions) which resulted in different contracts with different start and end dates. Legal previously provided the department with advice and legal risks concerning the status of these contracts. In summary there had been breaches of the Public Contract Regulations 2015 ('Regulations'), where there is a breach of the Regulations an interested party may bring a challenge and if successful the contract may be set aside and/or an award of damages made against the Council.
- 7.2.4 Legal understands from the report that an exercise was carried out by the department in 2022 to align the termination dates of the various agreements. The intention was for the Council to award one amalgamated contract for one year and regularise the situation. The vehicle for awarding the one-year contract was to use the CCS (Crown Commercial Services) framework agreement for Revenue & Benefits SaaS the one-year contract will expire in November 2023. Legal provided advice to the department concerning this contract and the risks in not using the CCS Framework in accordance with the Regulations and/or the terms of the Framework.
- 7.2.5 The proposal is now to undertake another procurement for 3 years using a framework for the reasons outlined in the report. Provided the Council observes 7.2.2 and in particular the Regulations and the requirements of the Framework there is very little risk of a successful challenge with the resulting consequences as set out in 7.2.3.

- 7.2.6 Similarly in undertaking the procurement for the 5 year contract, if the Council follows the requirements under paragraph 7.2.2 of these Legal comments there will be very little risk of a successful challenge.
- 7.2.7 Legal has informed the department that data protection issues will have to be considered in any procurement process, together with ICT security. Where the ICT contracts are maintenance service contracts, TUPE may apply on termination, these type of ICT contracts have very low risk of TUPE applying, however the department will have to make enquiry with the incumbent contractor as to whether TUPE will be applicable, so this can be mentioned in the procurement process.
- 7.2.8 Given the value of both proposed contracts they will need to be published on the forward plan.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Lee**
Community Development and Equalities Lead

A Community Equality Impact Assessment will be carried out prior to procurement to ensure the platforms are accessible and enable positive equality outcomes

- 7.4 **Other implications** (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

Thurrock council contracts register: www.thurrock.gov.uk/our-contracts/current-contracts

9. **Appendices to the report**

None

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