

provider to ascertain whether better value can be driven from the contract whilst adhering to procurement regulation and governance. The negotiations have identified potential cost avoidance of £996K over a seven year term. Putting in place a long-term contract would provide the Council with certainty and would avoid significant cost, time and resource to change to an alternative solution.

2. Recommendations

For the reasons set out in this report, the Cabinet is recommended to:

- 2.1 Approve the award of a contract for the provision of a core Revenues and Benefits processing system to NEC Software Services (UK) Ltd using the CCS Frameworks Vertical Applications Solutions (RM6259), for a period of five years (with an option to extend for a further two periods of twelve (12) months each) with a total contract value of £1.63 million, commencing December 2025.
- 2.2 If 2.1 is agreed, to delegate the award of the contract to the Executive Director of Corporate Services in consultation with the portfolio holder for Resources.

3. Commissioner's Comments

- 3.1 Commissioner comments to follow.

4. Proposals – the rationale and evidence for the recommendations

- 4.1 The current contract for the core Transactional Finance Service Revenues & Benefit processing system is due to end on 30 November 2026. The matter last presented to Cabinet in October 2023, sought and secured approval to commence a competitive procurement exercise to enable a 5-year contract (with the option to extend for 5 years) to be in place for December 2026 and the Delegated Authority Report for approval to progress the procurement was agreed.
- 4.2 The procurement exercise started in early 2024 in advance of the contract end date enabling sufficient time for adequate pre-market analysis, robust 'route to market' planning and sufficient time to perform any subsequent migration, while ensuring system continuation.
- 4.3 The system used within Transactional Finance Service is defined as a critical system due to its functionality, it enables the Council to process benefit claims and collect council tax and business rates to the value of £240M per annum.
- 4.4 Due to the complexity of the system and its integrations, any migration away from the current system is akin to a major transformation and expected to take 18 months with extensive consultancy required. Due to the complexity of the software, there are a limited number of suppliers in the market (See 4.9).
- 4.5 The Revenues and Benefit processing system is an incredibly complex piece of software requiring several additional modules to facilitate automation of processing, real time updating of records online by council tax payers, verification of data and provides a real time synchronisation to a document

management and workflow system. The application is also integrated into multiple other applications within the Council's application stack. The system provides for multiple levels of user access control, updating records based upon their permitted level of access, determined by their role within the business.

- 4.6 To enable delivery of the Council's statutory obligations there is a requirement for a processing system containing functionality to administer housing benefit, council tax support, discretionary housing payments as well as the billing, collection and enforcement of council tax and business rates.
- 4.7 A review of Framework providers supported by the Procurement team, identified an efficient and compliant route to market is via the Crown Commercial Services Vertical Applications Framework (RM6259). This route enables the engagement with known & proven providers of high-quality specialist systems with the technical capability to deliver the Council's requirements.
- 4.8 A direct award offers a compliant purchasing route without the need to run a further competition, provided the Council is assured of best value. Any change in provider will incur significant implementations costs including dual running of systems, external consultancy and project management (see 4.17)
- 4.9 The Council's initial evaluation of providers under the framework returned thirty seven organisations. This was subsequently reduced to four. Two organisations were further discounted following a more detailed review as they did not supply the system and capabilities the Council was seeking to procure.
- 4.10 The more detailed evaluation of two providers identified that both provided a solution. However, based on pre-market research the cost of customising any new incoming system to meet the detailed specification is cost prohibitive and fails to meet criteria around the most economically advantageous tender, this has subsequently led to a recommendation of a contract award to NEC.
- 4.11 The challenge of local government reorganisation has also been considered following the options appraisal. The uncertainty on reorganisation will remain a risk probably throughout the period in which the council will need to make its procurement decision, i.e. whether to make this decision or start a full procurement process. The expiry of the current contract falls within the pre-reorganisation period. Further, best value is normally obtained on major systems through longer term contracts that allow for investment and reducing the disruption of data migration and the cost of change.
- 4.12 The current system is one of two market leaders. On review of the systems used by neighbouring authorities, it was found Southend already use this system, however other local Council's do not. This cannot be a determining factor in procuring contracts but any change to our current provider, in lieu of a local government reorganisation and a partnered effort, is likely to cause disruption.

- 4.13 To protect the council's position here, it is proposed to include a clause (at a cost) that will allow for termination but given the market position, the Council may not need to exercise this provision.
- 4.14 An internal review will be held after 18 months of the contract start date to determine whether best value is being provided by the contract and also taking into account the potential changes to the local government environment in this period. This will provide an opportunity for the Council to undertake a further robust procurement exercise including working jointly with future partner authorities
- 4.15 The Council will undertake robust contract management to ensure it is providing value for money to the residents of Thurrock. This will involve regular meetings with the client relationship manager for the supplier, identification of key milestones and agree service levels defined within the contract, which will be regularly monitored with NEC.
- 4.16 It is expected that a migration to a new solution would take between 12 and 15 months to complete. Based upon this timescale, plus the desire to avoid a further procurement exercise in years three or four which would coincide with the implementation of a CRM (client resource management) system, it is recommended that the award for this contract be for a five-year period. Again, the implications of reorganisation will be considered as part of this exercise.

Alternative options considered

- 4.17 Full tender exercise: This is the main alternative. Continuing the full procurement exercise has been considered however due to limited suppliers able to meet the complex specification (see 4.10) and the cost of change to a new supplier being the least economical outcome, this option is not recommended.
- 4.18 Migration to a cloud-based solution was considered as part of the discussions with NEC, however moving to a hosted solution at an 'Application by Application' basis is premature considering the Council is presently reviewing its wider strategic goal to reduce its datacentre footprint during 2025. Indicative pricing also suggests costs for the equivalent term (7 years) would cost in the region of £478K and therefore considerably reduce the saving opportunity presented to the Council by awarding the proposed on-premises solution contract
- 4.19 Deferring the decision until the local government reorganisation proposals are known and jointly considering the options working with future partner authorities. This is an option but has its own risks, as set out in the report including:
 - 4.19.1 A procurement solution is required before reorganisation takes place
 - 4.19.2 Delay will reduce the council's options and we do not have sufficiently clarity to know whether a future partner council's system is fully aligned. The system is business critical and so risk tolerance is low
 - 4.19.3 The market is limited and unlikely to change and the council has negotiated preferential terms.

5. Consultation

There is no obligation to consult on this procurement.

6. Financial Implications

- 6.1 The cost of the Revenue & Benefits system is provided in the existing revenue budget within ICT Cost Centre DA043 - 1903.
- 6.2 The current budgeted cost of the contract in place (which is due to expire in November 2026) is £336.7K per year (including RPI).
- 6.3 The proposed five plus two year contract price is £1.6M and these costs will be met within the above existing revenue budgets.
- 6.4 The estimated savings as a result of the new award will be £338K, when compared to remaining on the existing contract and annual renewal after the current term.

Term Commencing	Proposed Award	Current Contract*	Potential for Savings & Cost Avoidance
01 December 2025	155,000	336,700	181,700
01 December 2026	180,000	336,700	156,700
01 December 2027	205,000	353,535	148,535
01 December 2028	230,000	371,212	141,212
01 December 2029	260,000	389,772	129,772
01 December 2030	286,000	409,261	123,261
01 December 2031	314,600	429,724	115,124
	Total		996,304

*Current contract runs to 30 Nov 2026, the cost of a new contract thereafter is presently unknown, however it is assumed the final year of current contract would form the baseline for annual RPI. Savings of £181.7K on current contract and Cost avoidance of £814.6K on a future contract is expected.

Implications Verified by

Rob Chimani, Interim Finance Business Partner

Date 9th January 2025

7. Risk Implications

RISK DESCRIPTION & CONSEQUENCE	MITIGATIONS	RESIDUAL RISK STATUS (after mitigations)

Risk of reduced savings if Cloud hosting is required at a later date	Decision on cloud strategy will define this risk	Amber
Risk of a long-term contract hindering future plans for local government reorganisation or local authority amalgamations. Risk of failing to achieve best value through open market competition.	The Council will ensure contract terms include a termination clause, which although will result in increased cost will allow the Council to exit the agreement earlier, should it need to do so. The Council has assessed the market and considers this risk to be low. The Council will also award this contract using CCS Frameworks RM6259 Vertical applications solutions; whereby a form of competition has taken place prior to suppliers being awarded onto the Framework. The Council is also reasonably assured of Best Value through pre-market studies and direct to supplier clarifications.	Amber Amber
Additional costs added by supplier		

Implications Verified by:

Kelly McMillian, Project Manager Business Development

Date: 14 Jan 2025

8. Legal and Governance Implications

- 8.1 The council has the power to enter into this contract under the general power of competence in section 1 Localism Act 2011. The council is required to comply with the requirements of the Public Contract Regulations 2015 (PCR 2015) in awarding contracts and the council's Contract Procedure Rules which can be found at Chapter 9, Part 2 of the council's constitution.
- 8.2 It is proposed that the contract is awarded by a direct award under a framework agreement. This is a lawful route to procurement pursuant to regulation 33(8)(a) PCR 2015 provided that the framework agreement allows for it and objective conditions in the procurement documents are met for determining which of the economic operators to award to. Paragraph 15 of the Contract Procedure Rules also allow the use of purchasing schemes (including framework agreements) subject to the council being entitled to use the purchasing scheme, the purchases to be made falling properly within the coverage of the scheme and the purchasing scheme having been established in compliance with PCR 2015 and meeting the council's requirements. The report sets out in detail the rationale as to why a direct award is appropriate in all of the circumstances, including the limited provision for the system and capabilities in the sector, that it is economically advantageous to the council and the cost of change of system. A direct award of a contract under the Framework Agreement is likely to have a higher risk of potential challenge.

- 8.3 The terms of a potential contract are being negotiated. Officers are conscious that the parameters for justification for direct award and this decision need to be met within any contract that is agreed.
- 8.4 The contract would be likely to be novated to the new local authority under a statutory transfer order following local government reorganisation but this would be subject to negotiation with new local authority partners and the supplier and provision for early termination is included in the contract.

Implications Verified by

Helen Nicol, Assistant Director Legal & Governance

Date 17 January 2025

9. Equality and Diversity Implications (including the public sector equality duty)

- 9.1 While there are no specific diversity and equality implications, under the terms of CCS Framework RM6259, social value is considered as part of the award onto the framework. The Council will request a statement of how the social value activities of NEC will be applied to the Council's Social Value priorities.

Implications Verified by:

Natalie Smith Head of Community Development

Date: 8 January 2025

10. Other Relevant Implications

N/a

11. Background Documents

N/a

Relevance Check**Budget Reduction/Service Area:****Service Lead****Date:**

In what ways does this Budget reduction have an impact on an outward facing service? How will the service feel different to your customers or potential customers?

N/A

If not, how does it impact on staff e.g. redundancies, pay grades, working conditions? Why are you confident that these staff changes will not affect the service that you provide?

N/A

Is a Customer Impact Assessment needed? No