

PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE

20 FEBRUARY 2023

REPORT OF ASSISTANT DIRECTOR FINANCE & IT

A.1 EXEMPTION FROM PROCUREMENT RULES

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek an exemption from procurement rules to enable the existing supplier of the key IT system used by both the Revenues Service and the Housing Service to be appointed for an initial contract term of up to a maximum of one year.

EXECUTIVE SUMMARY

- The current contract for the supply of the necessary IT systems used by both the Revenues and Housing Services expires on 31 March 2023. The current contract was a 4 year contract that was agreed back in 2019.
- A longer term approach is being explored with the current provider (via a framework agreement), which includes the purchase of additional modules to support the Council's existing customer 'self-service' approach. An associated increase to the budget was agreed by Full Council on 14 February 2023 as part of the overall General Fund budget proposals for 2023/24.
- Due to the requirement to secure the necessary increase to the budget, a longer term contract with the existing supplier has not been able to be finalised via an associated framework agreement in time for the 1 April 2023.
- An initial contract term of up to one year is therefore proposed at a cost of **£212k**, which will provide the time to finalise the longer term 'deal' as set out later on in this report.
- The longer term approach will form part of a separate report / decision making process later in the year. As highlighted above, the longer term approach will be via a framework agreement and it is planned to have a longer term arrangement in place by 1 July 2023. If achieved, the procurement period covered by this report and requested exemption will be from 1 April to the 30 June 2023.
- This report therefore seeks an associated exemption from procurement rules to enable this initial period of up to a maximum of one year to be agreed by way of an Officer decision in consultation with the Portfolio Holder for Housing.

RECOMMENDATION(S)

It is recommended that the Portfolio Holder for Corporate Finance & Governance approves an exemption from procurement rules to enable a contract covering a period of up to a maximum of one year to be awarded to the existing supplier for the key IT System used by the Revenues and Housing services.

REASON(S) FOR THE RECOMMENDATION(S)
To enable continuity of service following the expiry of the existing 4 year contract term on 31 March 2023.

ALTERNATIVE OPTIONS CONSIDERED
This is set out in the main body of the report below.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES
The provision of the necessary IT systems to administer key activities in both the Revenues and Housing Services underpins various Corporate Priorities and Objectives.

OUTCOME OF CONSULTATION AND ENGAGEMENT
N/A

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	YES/NO	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	The funding and proposed underlying approach was set out within Appendix A of the GF Budget Report that was agreed by Full Council on 14 February 2023.

This reports seeks an exemption from procurement rules in accordance with para 2.2 (a) Part 5.68/5.69 of the Constitution. Given the value of the proposed procurement (in excess of £200k) a formal decision of the Portfolio Holder for Corporate Finance and Governance is being sought.

YES	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:
------------	--

There are no further comments over and above those set out elsewhere in the report. It is however worth highlighting the importance of the longer term approach being implemented as soon as possible in 2023/24 to support the value for money / governance arrangements required as part of any associated procurement process.

FINANCE AND OTHER RESOURCE IMPLICATIONS
--

This is set out in the main section of the report below.

N/A	The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:	
The S151 Officer is the author of this report.		
USE OF RESOURCES AND VALUE FOR MONEY		
The following are submitted in respect of the indicated use of resources and value for money indicators:		
A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Please information in the main section of the report below.	
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and		
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.		
MILESTONES AND DELIVERY		
NEC Software Solutions UK were appointed to a 4 year contract commencing on 1 April 2019. As set out in the main section of this report, a longer term approach will be explored shortly with an initial one year 'extension' proposed to enable continuity of service from 1 April 2023.		
ASSOCIATED RISKS AND MITIGATION		
Please see information in the main section of the report below.		
EQUALITY IMPLICATIONS		
There are no direct / associated implications.		
SOCIAL VALUE CONSIDERATIONS		
For the reasons set out in the main section of the report below, an initial one year 'extension' to the existing contract term is proposed. A longer term approach will be explored shortly which will involve the use of an associated procurement framework, where such issues may be explored further.		
IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030		
There are no direct / associated implications.		
OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS		
Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.		
Crime and Disorder	N/A	
Health Inequalities	N/A	
Area or Ward affected	N/A	

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND CURRENT PROPOSALS

Northgate Information Solutions were appointed to a 4 year contract covering the period from 1 April 2019 to 31 March 2023 for the supply of the systems required to administer key activities within the Revenues and Housing Services.

The cost of the above contract was £195k per annum for each of the 4 years. The procurement route was via a UK Crown Commercial Services Framework.

In terms of background to the above decision, it is worth highlighting the following points:

- In terms of the market for the systems required, there are only a relatively small number of niche information technology service providers. For example, within the Revenues (Council Tax) and Housing Benefits technology area there are three main solution providers; Northgate Information Solutions, Civica Open Solutions and Capita Academy solution.
- The Council has been utilising the Northgate Revenues and Benefits and Housing system for nearly twenty years. Consequently, the services and users have considerable expertise and the Council has established detailed reporting and first and second line support arrangements to keep the services operational and working as efficiently as possible.
- Due to the above, changing solutions would be extremely complex (could take 6-9 months to plan and deliver) and would be extremely costly in terms of re-training users and expert support staff.

The context set above has not significantly changed over the past 4 years and for the same reasons highlighted, it is not proposed to move away from the existing supplier during the next 4 to 5 years. However as highlighted earlier in the report, a longer term deal is currently being explored with the existing supplier via an associated procurement framework agreement, with the aim of 'replacing' the initial period of up to one year with a longer term period starting from 1 July 2023. In terms of any period after this proposed 4 to 5 year term, this will be reviewed at an appropriate time in the future where there is more time and capacity to potentially consider moving suppliers.

One change that has occurred over the past 4 years is Northgate Information Solutions have become NEC Software Solutions UK.

Set against the background above, it is proposed to use an associated national procurement framework to appoint NEC Software Solutions for a further multi-year term. However, this has not been possible to finalise in time for the end of the current 4 year term due to the increased costs, which have therefore required associated budget decisions to be finalised first.

The 2023/24 General Fund Budget was approved by Full Council on 14 February 2023 and within Appendix A of the associated report the following cost pressure was included:

Northgate IT System Replacement	£78,000	The current contract for the primary IT system used by Revenues and Benefits and Housing 'expires' at the end of 2022/23. A replacement system / new contract is therefore necessary from 1 April 2023 and Officers
---------------------------------	---------	---

		are currently working with the current supplier to develop the options available. The amount included is over and above the existing annual base budget of £195,000. The position has been revised since December to include additional modules that support the wider 'self-service' approach which cannot be delivered via the existing customer 'portal'. The proposed system supplier has indicated that if the additional modules are purchased then they would 'fix' the overall contract price for up to 5 years. Although the actual decision to purchase the replacement system will be subject to a separate report, the alternative option of not purchasing additional modules will attract annual RPI increases, so the proposed approach is expected to provide value for money within this context.
--	--	--

Taking into account the above, the total on-going annual budget has been increased from **£195k** to **£273k**.

Based on the approach set out in the table above, **Appendix A** highlights the key financial information relating to the various longer term contract options.

Options 1 and 2 include the existing 'base' system only which would be subject to inflationary increases across either the 4 or 5 year term. Given the current high level of inflation, higher increases may be experienced in the early years.

Option 3 is based on a 'fixed' cost for the existing 'base' system with additional modules purchased. The additional modules highlighted are important elements of the Council's existing approach to customer 'experience'. As the name suggests, the additional modules will allow customers to access the system in a more dynamic and 'self' service style way which has not been possible to deliver as part of the current 'My Tendring' functionality.

Option 4 builds on **Option 3** by including a further data management module. Given the significant one-off costs and increased on-going revenue costs, it is not proposed to explore this option any further. An in-house solution has already been deployed to provide similar functionality, albeit not in such a cohesive and intuitive way a fully integrated solution would provide.

Based on the above, **Option 3** is therefore the longer approach that is currently being explored with NEC Software Solutions UK via an associated procurement framework agreement. However due to the need to finalise the required increase to the budget as highlighted earlier, negotiations with the supplier have not been able to be concluded in time to enable a longer term 'deal' to be agreed by 1 April 2023. Therefore given the need to ensure continuity of service from this date, it is proposed to enter into an initial one year contract based on the existing requirements of the current 4 year contract. This will be entered into based on NEC Software Solutions 'basic' terms and conditions. The cost of this is **£212k**, which is effectively the cost of Options 1 and 2 set out within the appendix. This can be accommodated within the 2023/24 budget.

In initial discussions with NEC Software Solutions UK, it is hoped that the **Option 3** can be implemented as soon as possible in 2023/24 – an initial 'target' date of 1 July has been

highlighted as the potential start date of a new 4 / 5 year contract. Work therefore remain on-going with the aim of having a new longer term deal in place shortly. Once finalised it will be subject to the necessary procurement decisions. In terms of the budget, the budget agreed by Full Council on 14 February 2023 is now adequate to accommodate the costs of **Option 3**.

This report therefore seeks an exemption from procurement to enable a contract period of up to one-year to be awarded to NEC Software Solutions UK to ensure continuity of service from 1 April 2023.

PREVIOUS RELEVANT DECISIONS

Officer decision (and PFH concurrence) published in 2019 that enable a 4 year contract to be awarded covering the period 1 April 2019 to 31 March 2023.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A – Option Appraisal - Cost Comparison Table

REPORT CONTACT OFFICER(S)

Name	Richard Barrett
Job Title	Assistant Director Finance and IT
Email/Telephone	rbarrett@tendringdc.gov.uk 01255 686521