

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT TO CABINET

Date 5th December 2018

CONTRACT OPTIONS FOR THE COUNCIL'S REVENUES AND BENEFITS SYSTEM

Submitted by: Interim Executive Director – Resources and Support Services
Portfolio: Corporate and Service Improvement, People and Partnerships
Ward(s) affected: All Wards - Indirectly

Purpose of the Report

To seek approval for the renewal of the Council's Revenues and Benefits Management System maintenance contract with Northgate Public Sector for a further three year period.

Recommendations

- a) *The Council renew its support and maintenance contract for its Revenues and Benefits Software with Northgate Public Sector for a further period of three years.*
- b) *The Council waives its own contract procedural rules regarding procurements over £50,000.*

Reasons

- a) Northgate are the only economic operator who can provide a complete application support service for the Revenues and Benefits Software.
- b) The Council has a legal obligation to ensure that its software is appropriately licensed.
- c) The Council will continue to have access to the latest updates and technical support services.

1. Background

- 1.1. In 2010, the Council replaced its Revenues and Benefits management system, Anite, with a competitor product from public sector software specialist, Northgate. The Revenues and Benefits package was procured via an open tender, on an initial five plus two year term. The Council made a capital investment to procure the software licences and cover setup costs, followed by an annual maintenance payment for support and ongoing upgrades.
- 1.2. Over the life of its contract, the Northgate system has performed extremely well for the authority, incurring very little unplanned downtime and requiring minimal maintenance by ICT other than routine upgrades. The system has also proved to be very flexible; facilitating the addition of self service options, hybrid mail for billing and timely compliance with legislative changes.
- 1.3. The Council holds a number of contracts for the Northgate system which have been created as additional components have been procured. These all expire at different dates, but in general are in or around January 2019. Ordinarily, when a contract reaches the end of its term, further maintenance fees are paid on an annual basis and the Council continues to use the software, uninterrupted. Typically annual fees are similar to the amount paid in previous years, but are generally subject to inflationary increases using a set measure such as the retail price index.

- 1.4. In early October ICT and the Council's Revenues and Benefits team began exploring options for extending our contract for the Northgate software. The Council did not embark on preparing materials for a full market re-procurement as Northgate remain the market leader in Revenues and Benefits software, with 170 customers and any such exercise would be of limited benefit.
- 1.5. This report outlines the options the Council now has, how these may benefit services in the longer term, the potential costs and the possible impacts of not entering into a new agreement, together with recommendations for moving forward.

2. Issues

- 2.1. The Council's contract for Northgate Revenues and Benefits is now outside of its initial and extended term. As such the Council is subject to additional, variable charges when our maintenance is renewed each year and the contractual limitations on price increases no longer apply. It also means that the Council receives less favourable discounts on any additional software or professional services.
- 2.2. The original Northgate contract was not intended to be an "evergreen" arrangement that rolled on indefinitely. Whilst Northgate have not specifically stated that they will not provide future support, they are under no obligations to do so. This is important, as the Northgate software is continually updated in response to legislation and access to these statutory service changes is essential.
- 2.3. Whilst the issues outlined in 2.1. and 2.2. in isolation present a very marginal risk, combined they place the Council at risk should Northgate apply a significant price increase. The Council would have no choice but to pay, as access to updates is essential. Whilst such actions are highly unlikely, any significant unplanned cost increase would undermine the Council's financial planning process.

3. Options Considered

3.1. 1. Do Nothing

The Council could allow its Revenues and Benefits contract to run-on, if permissible by Northgate. However this means that the authority would be paying more each year for its licences at a time when fiscal resources are limited. It also makes the justification of any investment in the Revenues and Benefits system very difficult as this is typically both expensive and resource intensive; not something that should be undertaken on a system that could be retired.

Whilst continuing with a run-on contract is unlikely to cause the Council any significant problems, it will not achieve best value and creates additional risk.

3.2. 2. Full Re-Procurement

It would be possible for the Council to draw up a specification and go out to the whole of the market for a re-procurement exercise. It should be considered however that the Council has a number of systems that are deeply integrated with the Revenues and Benefits software and migration to an alternative platform would be complex, time consuming and very expensive.

There are also a very limited number of competitors within the market and Northgate Revenues and Benefits is the largest of these, with 170 authorities on-board. The potential benefits of procuring an alternative would not outweigh the costs and disruption.

3.3. 3. Move to Cloud Based provisions

The adoption of Cloud services within the public sector has been rapidly accelerated by central government's "Cloud First" ICT policy and the availability of frameworks such as G-Cloud 10. Cloud based Revenues and Benefits platforms are available, however, migrating to such a solution would have the same implications as option 2; full re-procurement.

Based on prices available from the Crown Commercial Services G-Cloud 10 framework, a cloud hosted solution would significantly increase revenue costs. In addition, support services similar to those provided by our own staff would cost between £1,100 and £1,550 per day.

3.4. 4. Enter into a shared arrangement with another authority

ICT considered the option of looking to share a Revenues and Benefits system with a partner organisation. However, as a proposal this would still incur licensing costs for the software and would actually be a more complex undertaking than introducing an entirely new system.

This option would also require a considerable amount of planning. Not only would the authority have to find a willing partner, but the costs of moving to a shared environment would also have to be considered. Staff training, integration and data migration are just a few examples of time and resource intensive tasks that would have to be planned and executed in detail. The migration from Anite to Northgate took more than 18 months and this only required internal co-operation to achieve.

3.5. 5. Renew our Agreement with Northgate

The Council has the option to renew its Northgate support contract for a further period of three years, without having to undertake a significant and resource intensive procurement exercise.

A technical exemption is available under Public Procurement Regulations 2015 - Regulation 32(2) (b) as detailed below:

"The negotiated procedure without prior publication may be used for ...public supply contracts and public service contracts in any of the following cases:
(b) where the works, supplies or services can be supplied only by a particular economic operator for any of the following reasons
(ii) competition is absent for technical reasons
(iii) the protection of exclusive rights, including intellectual property rights,"
but only, in the case of paragraphs (ii) and (iii), where no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement;"

The Council could legitimately enter into a new contract with Northgate to secure the future of our Revenues and Benefits platform and fix our costs. Support and Maintenance for the system is only available directly from Northgate.

4. Proposal

4.1. In order to ensure the continued reliable and legal provision of the Revenues and Benefits software, option 5 is recommended.

a) The Council renew its support and maintenance contract for its Revenues and Benefits software directly with Northgate Public Sector for a further period of three years.

b) The Council waives its own contract procedural rules regarding procurements over £50,000 allowing officers to undertake a direct award of contract without a call for competition.

5. Reasons for Preferred Solution

5.1. Northgate are the only economic operator who can provide a complete application support service for the current Revenues and Benefits software, for both technical and intellectual property reasons. No other supplier can provide these particular services and there is no reasonable alternative.

5.2. The Council has a legal obligation to ensure that its software is appropriately licensed and entering into a replacement support and maintenance contract will help to fulfil this obligation. It also puts the

Council in a very good position in the medium financial term as our pricing will be fixed for three years allowing greater budget control.

5.3. Whilst competitor products do exist within the market, it is extremely unlikely that any operator could realistically provide the necessary licences, training and support required to migrate to a new system and still be within the costs proposed below. Northgate remain the largest provider of this software type and the Council is not dissatisfied with the service the company has provided.

5.4. Critically, the Council cannot avoid using its Revenues and Benefits platform. It is integrated into a significant number of applications and supports a statutory service. Having a fixed length support contract in place ensures that the Council is in a good position to continue benefiting from the systems development and that it has access to all the latest updates and technical support services.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

6.1. A number of key services are either directly or indirectly dependent upon the Revenues and Benefits software. As such, this proposal either directly or indirectly links to all corporate priorities, targets and strategies.

7. **Legal and Statutory Implications**

7.1. The Council would be entering into a new contract without consulting the whole of the market. This would normally be required by the Council's own contract procedural rules and the Public Procurement Regulations, 2015.

7.2. As outlined in 3.5, a technical exemption may be available under Public Procurement Regulations 2015 - Regulation 32(2) (b) if there are no reasonable alternative providers. The Council would however have to waive its contract procedural rules with regards to contracts over £50,000 requiring a full tender.

7.3. This procurement approach has been discussed with the Council's corporate procurement team, who have confirmed that under the circumstances, the solution offers the least risk of a formal challenge from alternate service providers in the marketplace..

8. **Financial and Resource Implications**

Item	Cost Year 1	Cost Years 2 & 3
Revenues and Benefits Software and Supporting Services	£33,280	£34,326
Total		£101,932

8.1. The costs of the Revenues and Benefits software maintenance can be met from ICT's existing revenue budgets, as these are already accounted for.

9. **Major Risks**

9.1. A complete risk assessment is held within the Council's corporate risk management system. However, highlights include:

- a) *The Council does not renew its contract*
This could result in additional financial costs or the disruption of Council services.

10. **Earlier Cabinet/Committee Resolutions**

10.1. There are no earlier Cabinet/Committee Resolutions available within the last five years.