

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** Councillor Schmid, Cabinet Member for Finance and Commercial Services

**Date:** 24/08/2021

**Subject:** Revenue & Benefits IT System Procurement

**Report of:** Nicola Ellis, Assistant Director for Resident Services, and  
Veronica Barella, Chief Digital Officer

**Report author:** Graham Pottle, Project Manager

**Responsible Director:** Sharon Lea, Strategic Director of Environment  
Rhian Davies, Director of Resources

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### **Summary**

To seek approval for placing a contract with Capita for the provision of a Revenue & Benefits fully managed software service which is required within Residents Services (The Environment). The proposed enhanced solution will deliver benefits to help drive automation and support the overall Resident Experience and Access Programme (REAP).

This new service will replace the current solution where software is supplied by Capita and server infrastructure is hosted by BT. The new contract will run from 1<sup>st</sup> September 2021 to 31<sup>st</sup> August 2028. The total value of the contract is £2,613,509 and will be funded through a mix of ongoing and one-off revenue budgets as detailed in Appendix B. The proposed KCS framework allows for an award of five years plus two-year extension. An award for the full seven-year term is required in order to achieve the maximum financial benefit.

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### **Recommendations**

1. To note that Appendix A and Appendix B are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
  2. That approval be given to award a seven-year contract to Capita Business Services Ltd, via the KCS framework Y16018 "The Provision of Managed Services for Business", for a managed service solution (i.e. software and hosting) for the Revenue & Benefits system. The contract will run from 1<sup>st</sup> September 2021 to 31<sup>st</sup> August 2028. The total value of the contract is £2,613,509.
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## Wards Affected: All

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	The recommended solution will provide a modern Revenue Benefits system that introduces enhanced functionality over the current solution. The improvement in the service will allow the council to continue to ensure that payments to residents are accurate and timely
Creating a compassionate council	By ensuring payments to residents are accurate and timely the Council is working to prevent any additional and unnecessary distress caused by financial hardship
Doing things with local residents, not to them	The recommended solution will implement functionality that enables the Revenue and Benefits solution to fully support REAP
Being ruthlessly financially efficient	The use of a framework allows the Council to benefit from better value pricing, access a supplier network that is experienced within the public sector, and reduce the overhead associated with the bid process
Taking pride in H&F	The recommended solution provide a modern, enhanced service, which will deliver improvements in the efficiency and quality of the service provided by the Council
Rising to the challenge of the climate and ecological emergency	The previous contractual relationship pre-dated the embedding of climate and ecological emergency considerations into contractual relationship. The opportunity of the new contractual relationship has been taken to embed these and therefore offers clear climate and ecological benefits over the current arrangements

### Financial Impact

The contract detailed within the exempt Appendix B will be funded from a mixture of existing revenue budgets within Residents and Digital services with a contribution from the Resident Experience and Access Programme (REAP) budget.

The total revenue budget available for this contract is £2.614m across the contract period.

There are estimated annual costs of £0.099m for which there is no budget provision identified in the current budgets. Services will need to identify mitigating actions to offset these additional costs. Mitigation identified is that this investment will enable the delivery of the significant savings in excess of £2.9m, cumulative benefits over 4 to 5 years, for the Revenue and Benefits service

The proposed solution supports the Council's Medium Term Financial Strategy (MTFS) in adopting a "cloud-first" approach to line of business applications and reducing infrastructure costs over time as a result.

## **Legal Implications**

This report is, in effect, a combined procurement strategy and award report. It seeks approval to directly award a contract to Capita Business Services Limited ('Capita') for the provision of an IT system for revenues and benefits by using a Framework. The length of the contract is 7 years. The value of the contract over the 7 years period is £2,613,509.

The award of the contract must comply with the Public Contracts Regulations 2015 ('PCR'). Contracts for services with a value above the threshold of £189,330 must be procured in accordance with Part 2. The contract must be procured by publication of a contract notice on Find a Tender followed by one of the competitive procedures or by calling off from a Framework which itself has been procured under Part 2. This report proposes the latter, namely calling-off from the Framework known as 'Y16018 Framework for the Provision of Managed Services for Business Solutions' by Kent Council via KCS Professional Services, otherwise known as 'KCS Y16018 Framework'.

The Council's external Solicitors, Sharpe Pritchard, gave written advice on the Y16018 Framework on 5<sup>th</sup> March 2021 and supplementary advice 11<sup>th</sup> March 2021. A copy of those advices is in Exempt Appendix A.

The Supplemental Advice points out that there is an option to use a different Framework altogether, namely the G-Cloud 12 Framework (albeit that the call-off contract would have to be limited to the maximum permitted 4 year term under the Framework).

In addition to the PCR, the Council must also comply with its own Contract Standing Orders ('CSOs'). The contract is a High Value Contract under the CSOs. Prior to starting any tendering exercise, the Service Review Team must prepare a report for approval of the Procurement Strategy for the approval of the Cabinet Member. The procurement procedure used must comply with the CSO requirement to use a PCR compliant framework. The decision to award is within the remit of the Cabinet Member.

The decision to adopt the proposed procurement strategy and to award the contract are Key Decisions (see Article 12 of the Constitution). The report must be submitted to Committee Services for publication on the Council's website.

The contract must be executed as a deed and sealed by the Council (CSO 15.6.2).

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## Background Papers Used in Preparing This Report – None

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### Background

1. The new contract will enable service continuity of the Revenue & Benefits Service IT systems during a period of significant change as H&F delivers transformed services for its residents.
2. The procurement has strategic fit with the Residents Experience and Access Programme (REAP). The new contract will deliver digital transformation functionality which will enable savings and an improved customer experience.
3. The proposed procurement solution has been identified in the context of a limited number of suitable suppliers. The service has identified no discernible benefit from moving to a new supplier, although there would be additional disruption and risk to the service, as well as additional migration costs.
4. The proposed solution, including the additional modules, will deliver the following new capability (i.e. One Digital, Automation, Pro-Print, Annual Returns and REAP), which is key to this transformational journey:

DESCRIPTION OF ITEM	NEW/ EXISTING
One Digital Portal - NDR, CT & HB (inc LL)	New
Promotions manager	New

DESCRIPTION OF ITEM	NEW/ EXISTING
One Digital – Eclaim & Ecics forms	New
Online Portal authentication	New
Direct Debit Via Web - Council Tax & Business Rates	New
Council Tax Change of Address	New
Third Party Login API	New
Direct Debit over the web Automation	New
Council Tax Refunds Automation	New
E-Billing Enable String	New
Digital Discounts and Exemptions including hosting	New
eNotifications	New
Digital Discretionary Housing Payments for 1014 claims	New
Digital Education Benefits	New
Connect and Serve	New
Benefits CiC and New Claims Automation	New
Proprint EDO Email Fax lite	New
Remote support addition - upgrades for CT,HB & NDR digital portals	New
Onsite Consultancy for training on tasks HB, NDR & CT x 2	New
Arrangements Manager including Back Office and online	New

### Reasons for Decision

5. The Council's current software solution enables the following:
  - Bill, Collect and Recover Council Tax and Business Rates (including Business Improvement Districts Administration),
  - Processing of Housing Benefits,
  - Processing of Educational Benefits,
  - Award of Council Tax Support and Recovery of Housing Benefits Overpayments.
  - Functionality to complete statutory returns to Central Government.
6. Several frameworks have been reviewed and the proposed solution is a satisfactory procurement route, which delivers added value.
7. The current contract is available for re-procurement. The new solution will involve the migration of the server infrastructure to the 3<sup>rd</sup> party, for Capita to deliver as a managed, cloud-based service. The recommendation is for the new contract to commence in September 2021. This is to allow sufficient time for the new solution to be delivered into Live Service before the end of the current contract.
8. In addition to the above a number of new requirements have also been identified. These can be grouped into the following categories:

- Automation
- Pro-Print
- Support on Annual Returns
- REAP Functionality

### **Contract Specifications Summary**

9. The service being procured is a managed service. This consists of:
  - Migration to cloud
  - Software
  - Hosting
10. The recommended length of contract is 7 years. The contract length has been determined by the scale of discount offered by the supplier for this length of contract.

### **Procurement Route Analysis of Options**

11. The procurement route is to use a framework. The primary consideration of options is focused on the specific framework to be used
12. There are three options considered for procuring this contract:
  - Option 1: Do Nothing
  - Option 2: Procure via G-Cloud framework (CCS RM 3821)
  - Option 3: Procure via KCs framework (recommended option)

#### **Option 1: Do Nothing – Not Recommended**

13. The existing “Academy” contract continues in perpetuity, until notice is given. If notice is given, at this point, H&F would need to award a contract to a supplier
14. However “do nothing” will mean that we haven’t looked at the opportunity to deliver better value for money, by negotiating a new contract. Also additional investment would be needed to deliver the REAP programme which would be at cost price of £879,344. A breakdown of this figure is provided in Appendix B, where the “Current” costs have been presented to allow a “like for like” comparison of REAP.

#### **Option 2: Procure via G-Cloud framework – Not Recommended**

15. The CCS RM3821 framework contains within it the Lot 2a “Business Applications”. The framework provides for two potential approaches, and the documents required for each approach are set out below:

<b>Documents</b>	<b>Further Competition</b>	<b>Direct Award</b>
Order Form	1	1
Joint Schedules	10	5
Call Off Schedules	19	3
CCS Core Terms	3	2

<b>TOTAL</b>	<b>33</b>	<b>11</b>
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16. The number of suppliers invited to provide a submission will be determined by a key word search carried out within G-Cloud. Should the key word search return only one supplier then a “direct award” is permitted (direct award in this context is as defined by G-Cloud). Should more than one supplier be returned then all suppliers who have met the key word search criteria must be considered.
17. There are 7 suppliers in Lot 2a of which 3 would be anticipated to pass a key word search. Any further competition would therefore involve the completion of 33 documents and could involve the review of, most probably, 3 returns.
18. The business has confirmed that, at this time, they would not have the capacity to support such a procurement exercise and any conversion to a new supplier is likely to have a negative impact on the service provided to residents throughout that transition period.
19. On the basis of the need to re-deploy, and backfill, key posts in order to enable the procurement, and on the basis of higher cost, this is not the recommended option.
20. The legal advice provided identified the G-Cloud framework as an option and it has been included here accordingly. However:
  - The G-Cloud framework limits contracts to a maximum of 4 years. Therefore a 7-year contract cannot be formed.
  - Although a lower risk approach, the same level of cost benefit cannot be achieved with a contract of less than 7 years.

**Option 3: Procure via KCS framework – Recommended Solution**

21. The Y16018 Framework for the provision of Managed Services for Business Solutions by Kent County allows for a direct award to Capita.
22. The preferred contract duration is for 7 years. Contract periods of this length are permitted under the framework.
23. There is also a significant cost benefit associated with procurement via the KCS framework. A contract period of 5 years (with a two-year extension) was also considered. However the cost benefit would be reduced by a contract of 5 years duration and, on this basis a 5-year contract is not recommended.

**Market Analysis, Local Economy and Social Value**

24. The Revenue and Benefits market is well established and mature. Due to the range and complexity of the tasks the software will deliver there are a limited number of suppliers.
25. The supply of a Revenue and Benefits managed service is not something that could be satisfied by the local market.

26. The Social Value Teams Outcomes and Measures (TOM) will be used to define and monitor the delivery of benefits to the local community. A Social Value contribution of 10.06% has been confirmed. The Teams Outcomes & Measures is included in Appendix D
27. Capita have confirmed Social Value activities will take place in Borough, with the support of the H&F Social Value Officer to provide them with key local contacts
28. The key areas of Social Value delivery are:
- NT07: 1050 hours of career mentoring
    - This type of support has been provided to a number of clients.
    - Online workshops will provide information and activities to student on career mentoring, as part of their internal current programmes.
    - The workshops would be delivered to schools, initially in low socio-economic areas to help young people get prepared for the world of work.
  - NT08: 840 hours spent on local schools and colleges visits
    - Capita has partnered with other organisations to support schools and young people, empowering young people with the essential skills needed for the world of work.
  - NT11: 787.5 hours of guidance and support to young people under 24 into work
    - Capita has provided a range of mentoring programmes aimed at providing such support.
  - NT13: 182 hours meaningful work placement
    - Capita offers 6-month long placements for people aged 16-24 years old. They will develop direct entry opportunities (e.g. internships) that Kickstarters and other young people can apply to join, providing central support for application, on-boarding and non-course specific learning.

### **Risk Assessment and Proposed Mitigations**

29. The main risks for Option 3 (KCS Framework) are as follows:

<b>Ref</b>	<b>Risks</b>	<b>Mitigation</b>
3A	If the Council does not commence a compliant procurement THEN the council will be open to legal challenge	The use of a framework that allows a direct award reduces the scope for a legal challenge (compared to a direct award)  The recommendation is to use the KCS framework. The risk of challenges from using the KCS framework is assessed to be low to medium  Further details are provided in Appendix A



Ref	Risks	Mitigation

### **Timetable**

30. The high-level key milestones are as follows:
- Award Contract – end of Aug 2021
31. This is to allow delivery of the full solution to be completed in December 2021, with the period between September and December being used for delivery element of the contract.

### **Selection and Award Criteria**

32. There is no quality/price ratio, with quality and price being assessed without a weighting.
33. Price has been assessed against the current provision and against Capita prices available via the G-Cloud framework.
34. Quality, in term of meeting the requirements, has been assessed as either acceptable or not acceptable, on the basis of the following council criteria:
- The software is an upgraded version of the software currently in use
  - Responses have been provided for non-functional requirements.
35. Social value has been assessed using the Social Value Teams Outcomes and Measures (TOM) standard template, with a minimum of 10% of the contract value being required.

### **Contract Management**

36. A set of non-functional requirements has been used to as the standard the service must perform to.
37. Post-award, the relationship with the contractor will be managed by Residents Services.

### **Equality Implications**

38. It is not anticipated that the approval of these proposals, as set out in the recommendations, will have any direct negative impact on any protected groups, under the Equality Act 2010.

## **Risk Management Implications**

39. The report sets out a recommendation to enter into a new contract by means of a direct award as allowed under the framework selected by officers as best meeting the needs of the Council to deliver key services to residents, in line with the Council's priorities.
40. The report and appendices set out a number of risks associated with the three options considered, including two routes to procurement and the requirements for future service provision (including additional functionality required for REAP programme), with officers providing appropriate assurances and mitigations relating to the risks identified.
41. Officers will work with Legal services colleagues to ensure that appropriate contractual terms are agreed. Officers should ensure that there is robust project governance and oversight during the implementation phase and effective contract management to ensure continuity and quality of service throughout the life of the contract, in line with the Council's objective of being ruthlessly financially efficient.

*Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel: 07817 507 695*

## **Climate and Ecological Emergency Implications**

42. A Climate Toolkit has been completed and is included in this report as Appendix C.
43. The primary benefit derives from the move from an on-premise solution to a cloud hosted solution.
44. The data centres to be used run on 60 percent renewable electricity, with a plan for this to increase this to 70 percent renewable energy by 2023.
45. The use of the cloud enables the efficient use of resources. Studies have identified that using cloud platforms can be up to 93 percent more energy efficient and up to 98 percent more carbon efficient than on-premises solutions.
46. The use of a cloud solution continues the support for working from home. This enables a long-term benefit in reduced use of office buildings and the benefit of reducing the fuel usage and emissions from commuting.

*Implications verified by: Hinesh Mehta (Strategic Lead – Climate Emergency, 07960 470125)*

## **Local Economy and Social Value Implications**

47. This report seeks approval to award the contract for Revenue and Benefits IT system to CAPITA through a Framework for a total value of £2,613,509. The Commissioner engaged with the supplier and a 10.06% social value was submitted (for a total of £ £262,999.31 in proxy value). This is in line with the Council 10% social value minimum requirement. Highest commitments will focus on providing support to young people into work and offer internship opportunities to residents.
48. CAPITA will be required to register on Social Value Portal to enter their social value target and be responsible for paying the Social Value Portal Management Fee for the term of the Contract.
49. It is recommended that contract managers will work with the Council's Social Value Officer to ensure commitments are being effectively monitored and delivered. The final contract should contain appropriate social value clauses so that the Council can enforce its right to compensation if social value commitments are not delivered.

*Implications completed by Ilaria Agueci (Social Value Officer, 0777 667 2878)*

## **Digital Services and Information Management Implications**

50. Digital Services has been closely involved in this procurement strategy and development of the overall requirements of the service. The recommended solution will deliver service continuity and the ability to migrate to a cloud-based solution, which support's the Council's overall digital strategy.
51. IM Implications: A Privacy Impact Assessment will need to be completed to ensure all potential data protection risks in relation to this contract are properly assessed with mitigating actions agreed and implemented.
52. Capita is expected to have a GDPR policy in place and all staff will be expected to have received GDPR training.

*Implications completed/verified by: Veronica Barella, Chief digital officer, tel. 020 8753 2927*

## **List of Appendices**

Appendices are as follows:

- Appendix A: Legal [Exempt]
- Appendix B: Finance [Exempt]
- Appendix C: Climate Toolkit
- Appendix D: Social Value