

North Somerset Council

Report to the Council

Date of Meeting: 20 February 2024

Subject of Report: Award of Support Services Contract 1

Town or Parish: All

Officer/Member Presenting: Cllr Mike Bell, Leader of the Council

Key Decision: N/A

Reason:

Not an Executive decision.

Recommendations

The council approve the appointment in principle of the Preferred Bidder for the provision of the Revenues, Benefits, Welfare, Exchequer and Civil Enforcement Administration services contract. Delegating the final decision for the contract award to the Executive Member for Corporate Services, in consultation with the Project Board (Chaired by the Director of Corporate Services), subject to the following:

- Finalising the contract documentation for execution, and
- Ensuring the costs and savings are within the financial envelope.

1. Summary of Report

In September 2023, the Council agreed to the division of the legacy Support Services contract and moving future delivery towards a more agile multi-provider model. The project's first phase is to procure the "Contract 1" element, which includes services for Revenues, Benefits, Welfare, Exchequer, and Civil Enforcement Administration.

"Contract 1" delivers essential public services on behalf of the Council to the residents and visitors of North Somerset by administering c. £650 million per annum through a range of services including but not limited to the collection of taxation from domestic properties and business rates, processing of invoices, collection of sundry debt, etc.

The purpose of this report is to seek approval to move the aforementioned tender to preferred bidder stage and delegate the final award decision to the Executive Member for Corporate Services in consultation with council officers, for the award of a contract at

the tendered price of £50.0m over the life of the contract following a procurement process conducted under the Crown Commercial Service Framework (RM6181).

2. Policy

This project forms part of the Corporate Plan:

- Aim: Open and enabling
- Priority: Managing our resources and invest wisely

Additionally, the project specifically supports the ambition of the corporate services directorate to 'Strengthen our strategic partnerships to get the best deal for North Somerset, our residents, and communities'. This is predicted to support the delivery of two of the overarching outcomes:

- Delivered a multi-supplier model for support services.
- Service transformation to deliver medium-term financial plan savings.

3. Details

The council, with support from external specialists (legal & commercial), conducted a detailed procurement exercise under the Crown Commercial Services framework (RM6181). The procurement process was conducted in two stages. First, issuing an Expression of Interest request to the RM6181 framework providers, generating responses from three suppliers. Second, issuing a full tender which concluded on 20th December 2023.

Detailed evaluation of the submissions was conducted by ten senior officers all of whom have operational experience of the in-scope services. The evaluation model consisted of three sections:

- Price (40%),
- Quality (50%), and,
- Social Value (10%).

The tender submissions resulted in a series of documented clarification questions to ensure the bids were understood and met the functional requirements and needs of the authority.

The conclusion of the evaluation produced the following headlines from the Preferred Bid:

- A commercial offer that delivers the medium-term financial plan savings targets.
- Future improvements in revenue collection rates and digital automation, to ensure the authority remains in the top performance quartile and also achieves the assumptions contained within the financial strategy.
- Improved contract performance framework which decreases the risk of any poor performance to the Council and offers credit where the outcomes of the operation are below recognised benchmarks.

- Positive initiatives to support Social Value in the local area:
 - 'FirstSteps' to support a broader range of vulnerable residents,
 - 'FirstSteps for Business' to develop and promote local businesses,
 - enhanced local employment, especially for under-represented and groups that have spent time out of work, and;
 - a range of green commitments.
- Opportunity for further financial savings from proposed additional proposals.

4. Consultation

Consultation of relevant Council Officers was ensured by the creation of an evaluation team who represent relevant services including the following:

- Head of Support Services
- Assistant Director (Governance and Monitoring Officer)
- Information and ICT Security Manager
- Revenues and Benefits Client Lead
- Lead Contract Officer
- Head of Finance
- Principal Accountant (Resources and Financial Planning)
- Building Control and Planning Service Development Manager
- Parking Services Manager

Due to the existing trading (source of income) of services in scope, engagement with our external customers will be undertaken post-decision. While there are components that are resold to other public sector organisations, North Somerset retains its position as the lead partner for the creation of a regional shared services hub.

Significant internal engagement of Officers was carried out, resulting in the following 'areas for improvement' for the services delivered under the existing Support Services contract. All recommendations were adopted to shape the council's requirements and procurement approach for "Contract 1" as outlined in previous council papers:

- Move towards multiple contracts with stronger alignment with service needs.
- Ensure increased levels of service lead engagement and contract management.
- Have more granular and user-focused performance metrics applied to individual contracts to enable supplier delivery.
- Enhance clarity on costs and resourcing.

Regular reports to the Corporate Leadership Team have been undertaken, alongside Executive member briefings and informal Executive meetings.

5. Financial Implications

The tender that was issued in December 2023 showed that the cost of the services in the scope of "Contract 1" would be £5.9m per year under current arrangements. The majority of this cost is funded by the council's revenue budget although some services

are traded and so funded from external income from other partners, such as schools, business improvement districts and other public sector organisations.

The recommendations within this paper include the appointment of the preferred supplier at the equivalent cost of just under £5m per year with a recommended contract duration of 7-10 years, which would equate to £35-£50m over the life of the contract depending on the term.

The tender price submitted by the preferred supplier was provided at 2024/25 prices although a clarification response noted that it does not include the impact of the pay award for the 2023/24 financial year as the information was not available at the time. This means that an adjustment will be required when the council has finalised this cost.

The annual contract cost of £5m will be uplifted for inflation each year in accordance with the terms and conditions, which are aligned to the nature of the operational costs and therefore linked to external inflationary indices and the council's pay award. This means that spending over the contract period will be higher than the base sum of £50m noted above. Although specific values cannot be provided at this stage, modelling shows that if annual inflation of say 5% was applied over a 10-year contract period, then the council's total contract costs would be c£66m. Inflationary uplifts will be considered on an annual basis and subject to a formal contract change notice, with the financial impact reflected within the council's medium-term financial plan.

The procurement process and subsequent contract award will deliver financial savings against the council's existing expenditure profile whilst ensuring that a quality service is maintained for residents. The savings will be achieved through a combination of efficiencies by the new supplier as well as the use of a direct contract award, meaning that a prime contract margin will no longer be payable. Estimated savings have been reflected within the council's Medium Term Financial Plan and revenue budget for 2024/25 and the final contract price will be within the approved revenue budget envelope.

While the process provided a competition and therefore a value-for-money assessment against the available market, a high-level value-for-money assessment has also been conducted by reviewing our costs against those of other local authorities using published benchmarking information.

Costs

The procurement cost of using the Crown Commercial Service framework RM6181 is 1% of the total contract cost and is payable by the new contractor and has been factored into the contract price model.

As noted above, the Preferred Bid indicates that the total cost of "Contract 1" is expected to be c£5m per annum based on 2024/25 prices which would equate to between £35-50m depending on contract duration, rising to higher levels in later years once inflationary uplifts are applied. The costs would be charged to the council's annual

revenue and / or passported onto other external organisations depending on who the services relate to.

The Preferred Bid has also offered a range of optional one-off business case options associated with services within the base contract which would come at an additional cost to the council if progressed, although it is anticipated that these projects could provide further financial savings in the future when they are evaluated. However, given that these additional options are currently outside of the scope of the contract procurement, they will not be assessed as part of this process. The proposed business cases include potential gain share models for Empty Homes and Static Debt and all aspects would need to be fully reflected within the council's future Medium Term Financial Plan (MTFP) and revenue budget for 2025/26 to ensure integration and alignment with the council's wider financial strategies and risk profiles.

Funding

Funding for the delivery of core services included within Contract 1 is included within the council's revenue base budgets although other elements of the Contract will be funded by income received from other parties, including schools. These activities include functions such as accounts payable, receivable and raising and collecting invoices on behalf of the improvement districts.

An assessment of the tender submission has been carried out which shows that the council will achieve the financial savings included within the MTFP subject to further due diligence surrounding final confirmation of contract details, including the start date in 2025 and any requirements for a transitional period. These details will be reflected in the final contract award decision.

6. Legal Powers and Implications

The Council has a statutory obligation to provide the following services delivered by the proposed contract:

- Revenues and Benefits services
- Exchequer services

All other parts of the proposed contract are essential corporate functions required for the effective operation of the local authority and support the collection of external revenue for services such as parking fines and bus lane enforcement.

The contract currently providing the services to the council has exhausted its initial term and all available extensions. The Public Contracts Regulations 2015 restrict the Council's ability to formally extend the existing contract outside the term specified in the original procurement, therefore no compliant mechanism exists that would allow for the existing contract to continue in its current form. Tendering and award of a new contract is therefore the Council's only compliant option for provision of the services.

7. Climate Change and Environmental Implications

Climate impact and the environmental implications of the contract have been assessed as part of the evaluation process. While the CCS framework considers the wider

implications, the Social Value response includes a commitment towards environmental considerations and the preferred supplier has committed to national and local initiatives to support the environment.

These include donations or investments towards expert designed sustainable reforestation and initiatives aimed at environmental and biodiversity conservations and sustainable management projects for both marine and terrestrial ecosystems within the North Somerset boundary.

8. Risk Management

There is a full risk register and monitoring process in place for the Support Services 2025 programme. Following a risk assessment, the highest inherent project risks are:

Risk	Inherent Risk Score	Residual Likelihood	Residual Impact	Residual Risk Score	Mitigations
Lack of internal resources to relet and transition such a large contract whilst maintaining service quality	High	1	3	Low	Move towards a multi-provider model. Stagger contract transition arrangements/end dates to maximise officer attention. Ensure available support is focused on the 2025 end date.
Significant specialist resources to advise and ensure the procurement opportunities are maximised	High	3	2	Low	Quantify the levels of external support required, especially for specialist activities such as legal. Use of standard procurement frameworks to ensure best practice and accelerated approaches are followed.
Impact on the council's ability to deliver council priorities by not addressing the challenges defined in the Medium Term Financial Plan	High	2	4	Med	Conduct regular and detailed commercial assessments, modifying requirements to reduce cost for non-statutory elements. Savings target developed and assessed alongside transformation plan. Benefits realisation will be subject to formal Project Board review.
Ineffective transition or planning leading to service failure and impact on residents and internal customers	High	1	5	Low	Adopt a structured project management approach. Decision to disaggregate services to avoid concurrent contract transitions/end dates.

9. Equality Implications

Have you undertaken an Equality Impact Assessment? Yes

An equality impact assessment has been undertaken and there are no immediate adjustments are required. Please see Appendix 2.

Failure to fully re-procure the services delivered by the existing contract will result in the Council being unable to deliver its statutory and essential services.

10. Options Considered

Consideration has been given to several alternative delivery models such as transferring the service in-house or engaging with another local authority in a shared service model.

Associated with the level of resources, the quality and outcomes of the in-scope services have a significant impact on the authority's collected revenue. Hence, experience is critical, as is access to nationwide subject matter expertise to maximise revenue collection. On this basis, it has been deemed that returning services in-house would limit our access to high-class expertise.

Considering the cost implications of transferring staff back to North Somerset, it has been calculated such a transfer would result in an estimated 10% cost increase or £575k in additional pension contributions due to the differential pension schemes between public and private sector companies. Unifying staff pay grades and reducing opportunities for economies of scale would further contribute towards a list of extra costs. Considering these factors this 'in-source' option is considered unviable due to increased costs.

Shared service conversations with other public sector bodies generated interest from other local authorities in exploring working together on common service areas. Consequently, the issued tender includes scope to offer shared services to the wider public sector, therefore potentially generating a wider economy of scale.

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Appendices

Appendix 1 – Preferred Supplier – Confidential

Appendix 2 – Initial Quality Impact Assessment - Confidential