

WEST NORTHAMPTONSHIRE COUNCIL CABINET

3 May 2022

CABINET MEMBER WITH RESPONSIBILITY FOR HR & CORPORATE SERVICES: COUNCILLOR MIKE HALLAM

Report Title	Modern Income Management Solution
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List of Appendices

None

1. Purpose of Report

- 1.1 The purpose of this report is to provide information and background regarding the proposal to procure a modern Income Management Solution for West Northamptonshire Council and its partners in Cambridgeshire County Council, Milton Keynes Council and North Northamptonshire Council and to seek Cabinet approval to:
- a) Complete the procurement and award of contract of the Income Management Solution - contract value of over £500k therefore requires a key decision from the Cabinet
 - b) Delegate authority to Executive Director Corporate in consultation with Cabinet Member for HR & Corporate Services to award the contract to the identified best fit supplier.

2. Executive Summary

- 2.1 The Income Management Solution is a business-critical application used to collect, allocate, manage, and reconcile payments collected via telephone, over the internet, using a Chip & Pin device, cheques and cash, or paid directly into the organisation's bank accounts.
- 2.2 It is also one of the main touch points for service users to access, procure or pay for council services and is used to support payments for Council Tax, National Non-Domestic Rates, Registrars, Libraries and Adults Social Care to name a few.
- 2.3 Contracts for the Income Management Solutions inherited by West Northamptonshire Council, as well as contracts in place for other authorities listed in this proposal, are nearing expiry and need to be replaced by the 1st of April 2023. As the contracts have already been extended, a competitive process needs to be observed for all the partner organisations.
- 2.4 West Northamptonshire Council will be the Lead Authority for the procurement and contract on behalf of itself, Cambridgeshire County Council, Milton Keynes Council and North Northamptonshire Council. This approach has been endorsed by the relevant representatives of each council and follows through from the similar arrangement for provision of an accounting software and back-office support for it.
- 2.5 The proposed contract duration is up to four (4) years (initial term of 2 years plus the option to extend twice at 12 months each) with a total contract value estimated at £4.25M. The share of a cost attributed to West Northamptonshire Council is £1.34M over the lifetime of the contract.
- 2.6 The following funding sources has been identified for the West Northamptonshire Council:
- a) Existing budgets – covering project management and part of ongoing costs
 - b) Business Rates Pilot – covering development, supplier and backfill costs
- 2.7 Similar to West Northamptonshire Council, other authorities are following their respective governance and approval processes for the spend and have now confirmed availability of funding.

- 2.8 Scope of this project is not a like for like replacement, additional technical capability is required for maintaining West Northamptonshire Council's compliance with payment card industry standards is being sourced as a part of the proposal triggering increase in cost.
- 2.9 Resource cost, including backfills, relating to the design, development and project management has been equally divided between the participating partner organisations. Whilst the supplier costs, subscription and transactional fees will be attributed directly to the council that has incurred them.
- 2.10 Income Management Solution is an essential requirement to allow the council to successfully collect and manage its income. Successful implementation of the proposed solution will provide a consistent experience for the service users across a range of devices and channels also being a key enabler for driving digital transformation of areas requiring payments and supporting the customer services strategy.
- 2.11 The council will immediately benefit from Robotic Process Automation in the Income Management processes allowing for higher degree of automation enabling staff to focus on unallocated income, greatly reduced burden of maintaining compliance with payment card industry standards by adopting adequate technological solutions and ensuring that relevant public and staff facing documents and interfaces adhere to the latest accessibility guidance. Work will continue identifying further efficiencies and benefits.
- 2.12 Furthermore, due to its flexible and scalable nature, the new Income Management Solution will enable further work on harmonisation, streamlining and optimisation of processes and services past the 1st of April 2023.

3. Recommendations

- 3.1 It is recommended the Cabinet:
- a) Complete the procurement and award of contract of the Income Management Solution - contract value of over £500k therefore requires a key decision from the Cabinet; and
 - b) Delegate authority to Executive Director Corporate in consultation with Cabinet Member for HR & Corporate Services to award the contract to the identified best fit supplier

4. Reason for Recommendations

- 4.1 Expiry of the incumbent contracts – all contracts expire in 2023 without the ability to extend any further. A competitive process needs to be followed to ensure continuity of the functionality required of income management systems, whilst creating an opportunity to harmonise and modernise the income management systems inherited by West Northamptonshire Council.
- 4.2 Economies of scale – by choosing to implement the Income Management Solution with partners, implementation and support costs can be shared, providing better value for money for the taxpayer. Furthermore, expertise and experience gained from partner organisations can be used to benefit citizens of West Northamptonshire Council.

5. Report Background

- 5.1 Income Management Solution software plays a pivotal role in the successful operation of any Local Authority. It is a business-critical application used to collect, allocate, manage, and reconcile payments collected via telephone, over the internet or using a Chip & Pin device, as well as cheques and cash received or paid directly into the organisation's bank accounts.
- 5.2 It is also one of the main touch points for service users to access, procure or pay for council services and is used to support payments for Council Tax, National Non-Domestic Rates, Registrars, Libraries and Adults Social Care to name a few.
- 5.3 Furthermore, the application is used to enable data exchanges between the line of business systems responsible for General Ledger, Council Tax and National Non-Domestic Rates to name a few.
- 5.4 On Vesting Day, West Northamptonshire Council inherited four Income Management Systems currently used to independently deliver Income Management functions to the West Northamptonshire Council's predecessor Councils, creating complexities and overheads to the council. The contracts for these inherited Income Management Systems are due to expire between March and July 2023.
- 5.5 The following solutions are currently in place:
 - c) ex-Northampton Borough Council and ex-Northamptonshire County Council services use CivicaPay based systems provided by Civica Ltd.
 - d) ex-Daventry District Council and ex-South Northants Council services use Pay360 (AIM) based systems provided by Capita plc.
- 5.6 These contracts cannot be extended beyond the maximum term (March and July 2023) due to exceeding the thresholds for Total Contract Value (i.e. all money spent on a contract including licensing, professional services, staffing costs, utilities) imposed by the Public Contracts Regulations 2015. If no action is taken, the council's ability to effectively collect and manage income will cease with the contract expiry.
- 5.7 In September 2021, an Outline Business Case was presented to and endorsed by the representatives of the partner organisations- who have agreed to participate in the shared services model for this initiative.
- 5.8 G-Cloud 12 framework has been identified as a procurement vehicle that would best fit with the ambitious time frames the project has to work with.
- 5.9 This framework has been established by the UK Government's Crown Commercial Services and enables public bodies to contract with suppliers which have been through nationally run competitive processes, without the need to go through their own full tender exercise.
- 5.10 This means that the councils are able to save time and cost whilst still ensuring that they are contracting for the best solution and optimising value for money.

- 5.11 In January 2022, the Full Business Case, identifying a best-fit supplier, was presented to the same body and subsequently gained their endorsement, allowing the Project to progress to the next stage which is this Cabinet report.
- 5.12 The following recommendations were endorsed:
- a) Award the contract to the best fit supplier using a G-Cloud 12 framework
 - b) West Northamptonshire Council is to be the Lead Authority for the procurement, as it will be responsible for the delivery of the implementation project, and ongoing support and maintenance of the system under the Lead Authority Shared Service arrangements with Cambridgeshire County Council, Milton Keynes Council and North Northamptonshire Council
- 5.13 This is not a like for like replacement, additional technical capability is required for maintaining West Northamptonshire Council's compliance with payment card industry regulations is being sourced as a part of the proposal triggering increase in cost.
- 5.14 Furthermore, the proposed solution allows the council to address the need to replace another inherited shared service system which is out of support and at the end of life - BizTalk. This system is currently used to manage data exchange and transformation between business-critical finance systems (e.g. raising invoices and payments for Adult Social Care).
- 5.15 The best fit solution offers a well-developed data transformation capability which will enable the council to phase out the use of BizTalk, whilst providing significant advantages:
- a) Software as a Service model – updates and upgrades included
 - b) Full disaster recovery
 - c) Removing reliance on external support for development.
- 5.16 It is estimated that this approach will enable cost avoidance of £20k per authority per year for the duration of the contract, which otherwise would need to be spent on licensing fees for a standalone middleware system.

6. Issues and Choices

- 6.1 The purpose of this project is to identify, procure and implement a modern, fit for purpose Income Management Solution for the partner organisations. The Income Management Solution is expected to adopt use of modern technologies to provide cost savings, leverage economies of scale and scope, and remove waste from relevant processes. The Income Management Solution needs to be in place by 1st of April 2023.

6.2 In order to address the key issue faced by the partner organisations of being able to effectively collect, manage and allocate income after the 31st of March 2023, an Options Appraisal has been conducted, results of which are summarised below:

6.3 **Option 1 – Shared Income Management Solution**

6.3.1 This option would see West Northamptonshire Council pool their resources with partner organisations with whom they currently share Accounting System and back-office support teams to procure, develop and implement an Income Management Solution benefitting from economies of scale and scope, and accumulated expertise and knowledge across all partner organisations.

6.3.2 This option was recommended having scored the highest in the Options Appraisal.

6.4 **Option 2 – Individual Income Management Solution**

6.4.1 This option would see West Northamptonshire Council independently procure, develop, and implement an Income Management Solution for sole use of the council. Technically, this is equally as viable as Option 1, however, it does not offer the opportunity for additional efficiencies and the benefits of economies of scale and therefore would result in reduced long term cost savings. West Northamptonshire Council would be fully responsible for the procurement, development, implementation and ongoing support of the solution and therefore incur the whole burden of the cost.

6.5 **Option 3 – Extend Existing Contracts**

6.5.1 West Northamptonshire Council to extend the contracts with the incumbent suppliers.

6.5.2 This option was deemed not viable as West Northamptonshire Council will be in breach of Public Contract Regulation 2015 opening them to challenge from prospective suppliers denied the opportunity to bid for the business.

6.6 **Option 4 – Do Nothing**

6.6.1 This option was deemed not viable as after the current contracts expire in 2023, West Northamptonshire Council would lose the ability to effectively receive, manage and allocate monies from their service users.

6.7 **Options Analysis**

6.7.1 Summary of Options Appraisal Results

Option	Score
Option 1 – Shared Solution	70
Option 2 – Individual Solutions	65
Option 3 – Extend Contracts	20
Option 4 – Do Nothing	20

6.7.2 The criteria for the appraisal undertaken are:

1. Adherence to legal requirements (Public Contract Regulation 2015)

2. Continuity of service for Income Management
3. Project resource available to undertake the work
4. Business resource available to deliver the project
5. Influence over the direction of Income Management System
6. Best value for money
7. Modern Disaster Recovery and Security
8. Tailored to modern needs

6.7.3 The criteria have been scored using the point system below (no additional weighting applied):

- 10 – option fully meets the criterion
- 5 – option partially meets the criterion
- 0 – option does not meet the criterion

6.7.4 Option 3 – Extend Existing Contracts and Option 4 – Do Nothing has been ruled out due to not fulfilling the legal requirements and negative impact on the partner organisations respectively. Option 2 – Individual Solutions has been discarded as it does not provide the benefits of economies of scale, has reduced potential of long-term savings and attracts higher one-off costs.

6.7.5 Option 1 – Shared Income Management Solution gained endorsement from the representatives of the partner authorities.

6.7.6 The Project team have validated, and prioritised business requirements identified with the partners organisations subject matter experts and used those to identify a best-fit supplier using the G-Cloud 12 framework. This approach was presented to and endorsed by the partner organisation representatives and resulted in identification of a single best-fit supplier that meets the business requirements set.

7. Implications (including financial implications)

7.1 Resources and Financial

7.1.1 Total contract value associated with this proposal is £4.25M. Resource cost, including backfills, related to design, development and project management has been equally divided between the participating partners. Supplier costs, subscriptions and transactional fees can be attributed directly to the council that has incurred them, which has been done.

7.1.2 Resulting cost split per partner authority below (£000):

Authority	Cost
West Northamptonshire Council	1,337
North Northamptonshire Council	1,390
Milton Keynes Council	978
Cambridgeshire County Council	545
Total:	<u>4,250</u>

7.1.3 All partner organisations have confirmed availability of funding to cover their share of cost and are following appropriate governance.

7.1.4 The cost profile for West Northamptonshire Council is presented below (in £000):

	Current Year		Forecast		
	2021/22	2022/23	2023/24	2024/25	2025/26
One-off Costs					
Project & Development	41	509	91	-	-
Staff Backfill	3	105	4	-	-
Contingency	-	75	18	-	-
	-	-	-	-	-
Operational Costs					
Incumbent Licensing	-	-	(103)	(103)	(103)
New Solution Subscription	-	-	160	165	165
Subtotal:	-	-	56	62	62
	-	-	-	-	-
Net Budget Impact	<u>44</u>	<u>690</u>	<u>170</u>	<u>62</u>	<u>62</u>
	-	-	-	-	-
<u>Unbudgeted (Cost Avoidance)</u>	-	-	-	-	-
Integration Solution	-	-	(20)	(20)	(20)

7.1.5 The following funding sources have been identified for the West Northamptonshire Council cost of the project:

- a) Existing budgets – covering project management and part of operational costs
- b) Business Rates Pilot – covering development, supplier and backfill costs

7.1.6 Starting from financial year 2023/24 additional funding of £56k, increasing to £62k per annum will need to be incorporated in mid-term financial plan as a part of budget setting process.

7.1.7 Due to consolidating requirements with the replacement of middleware solution, the council are able to keep this increase in cost lower by avoiding having to license and implement a standalone solution.

7.1.8 Summary of West Northamptonshire Council funding (£000)

<u>Funding Source Summary</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Sum</u>
Existing Budgets	34	210	162	103	103	612
Business Rates Pilot	10	480	55	-	-	545
Additional Budget	-	-	56	62	62	180
					Total	<u>1,337</u>

7.1.9 Additional efficiencies, both cashable and non-cashable, are likely to be identified and quantified throughout the course of the implementation providing added benefits to West Northamptonshire Council on top of the continuity of the service.

7.2 Legal

7.2.1 The Crown Commercial Services G-Cloud 12 Framework is compliant with the Public Contract Regulation 2015 and a supplier can be appointed to undertake the provision, implementation, and support of the Income Management Solution as set out in this report. The appointment must

comply with the G-Cloud frameworks processes, it must be fair and transparent, and an audit trail must be maintained. Under the G-Cloud framework it is possible to call-off and apply a direct award if the framework evaluation criteria have been correctly applied.

7.2.2 The council will be required to carry out its own due diligence on the proposed appointment to ensure that the procurement process has been in compliance with the G-Cloud framework requirements and undertaken with the highest standard of integrity, and the best fit supplier's solution meets the council's detailed requirements, remains in budget and provides best value.

7.2.3 The council is procuring the Income Management Solution with Cambridgeshire County Council, Milton Keynes Council and North Northamptonshire Council. The contractual arrangement for the joint procurement with the partner organisations must provide for clarity as to the roles, responsibilities, and obligations, including management/monitoring of performance, how the costs will be apportioned and how the invoicing and payments will operate together with appropriate indemnities to address exposure to any risks.

7.3 Risk

7.3.1 Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Unmoveable deadline		
No flexibility exists within the timeline, fit for purpose income management system needs to be operational and embedded by the 31 st of March 2023.	Ensure visibility of the project and support on all levels of organisation with delivery to the deadlines imposed by the contract expiry in March 2023.	Amber

7.3.2 Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Disruptions to Income Flow	
Services and service users reliant on the Income Management Software are likely to experience severe disruptions surrounding ability to take card payments resulting in a loss of income as well as timely allocation of received income potentially resulting in actions being taken against service users.	Red

7.4 Consultation

7.4.1 There is no need for consultation arising from the proposal.

7.5 Consideration by Overview and Scrutiny

7.5.1 Overview and Scrutiny have not considered this issue.

7.6 Climate Impact

7.6.1 In common with most big scale computer systems, the key climate impact is from the data centre where the system is hosted. The proposed Income Management Solution supplier hosts the system in Microsoft's UK data centres.

7.6.2 Microsoft has been carbon neutral since 2012 and is committed to being carbon negative by 2030, with the commitment by 2050 to remove all the carbon it's directly emitted since its founding in 1975.

7.6.3 We will continue to engage with the supplier during the life of the contract to ensure that climate impact is seen as a key consideration for the Council and its partners.

7.7 Community Impact

7.7.1 There are no further community impacts other than those discussed elsewhere in this report.

7.8 Communications

7.8.1 The Communications Team has assessed this document for accessibility.

8. Background Papers

8.1 **None**