

# Briefing Paper

February 2021

## Renewal of CivicIcon contract for Income & Cash Management

### Recommendation

- Approve the renewal of CivicIcon for income and cash management for three years
- The total cost of the contract for the three-year period is £484,402. Consisting of £278,134 in the first year, with two subsequent payments of £103,134
- Note that this contract renewal has been reviewed by Procurement and is a direct award under Crown Commercial Services DAS Framework

### Introduction

CivicIcon has been the City's income and cash management software since 2012, the contract was renewed in 2016 for three years with the option to extend for a further two. The two-year extension concludes at the end of May 2021. The proposal recommends that the contract is renewed for a period of three years allowing the city to further utilise the functionality, migrate functionality from third-party systems, to consolidate income and cash management, and take advantage of efficiencies and savings that result.

### Background

We have invested considerable time on improving the configuration CivicIcon – standardising integrations and taking advantages of functionality to improve services. We are currently working with new business areas to allow them to take payments and working closely with Commercial Leasing and Civil Enforcement on the implementation of new software solutions and integration with CivicIcon.

CivicIcon is the City's income and cash management software responsible for managing

- End of day returns from establishments (eReturns)
- Income Management & Distribution
- Automated Telephone Payments
- Online Payments (native i.e., Civica eStore and integrated with 3rd Party Solutions)
- Bank Reconciliation
- POS Solution (Customer present/Not present)
- Income from 3<sup>rd</sup> party systems (Housing, Council Tax etc.)
- Income Reporting

All income with the exception of Direct Debits is managed through CivicIcon.

For the past two years considerable resource has been expended on implementing the replacement for Oracle R12, before it was necessary to extend the project deadline it was determined that there would not be time to undertake another procurement and implementation program for Income and Cash management. With Fit for the Future now running until April 2021, and the hyper-care period concluding in July '21, there is no opportunity to go to market for replacement software.

Considerable progress has been made to introduce efficiencies and substantial progress has been made areas like Bank reconciliation and eReturns. We have increased the number of payment

options by introducing PayPal and continue to work on fully rationalise integration with 3<sup>rd</sup> party systems.

Renewing for three years would allow the time necessary to take full advantage of the work already started and provide the stability an continue to realise improvements.

These include:

- Fully rationalise the integration approach
- A move to eStore – from Capita Pay360
- Introduction of a mid-call solution (full PCI Compliance)
- Introduction of Recurring Card Payments – an alternative to Direct Debits

## Procurement

It was determined that the best approach was a direct award to our current software provider. We have been in discussion with Civica since July 2020, during this time both procurement and audit have been involved in reviewing the proposals. A direct award can be made through the DAS Framework via Crown Commercial Services.

## Proposal

Description	Year 1	Year 2	Year 3	Total
Annual Fees	£62,634	£62,634	£62,634	<b>£187,902</b>
Parity Licence	£175,000	£0.00	£0.00	<b>£175,000</b>
Parity License Annual Fee	£9,000	£9,000	£9,000	<b>£27,000</b>
300k Additional Transactions	£31,500	£31,500	£31,500	<b>£94,500</b>
Price Per Year	£278,134	£103,134	£103,134	
<b>Total Contract Value</b>	<b>£484,402</b>			

## Current costs

Description	Year 1	Year 2	Year 3	Total
Current Annuals	£45,990	£45,990	£45,990	£137,970
Enterprise License	£100,000	£0.00	£0.00	£100,000
Enterprise Annuals	£10,000	£10,000	£10,000	£30,000
Implementation Services (71 Days)	£72,508.75			£72,508.75
Price Per Year	£228,499	£55,990	£55,990	£340,479
Discount	<b>-£4,160</b>			<b>-£4,160</b>
<b>Total Contract Value</b>	<b>£336,318.75</b>			

## Options Considered

A number of options have been considered prior to making this recommendation, as follows.

Renew the contract for one year only

This has been ruled out because Civica will not support a one-year extension. Civica have back-off contracts with third-party providers they commit to for a minimum term of 3 years. The back-off contracts enable CivicaPay to provide a hosted PA DSS Level 1 compliant payment and income management solution.

#### Renew the contract for five-years

This option remains feasible with an overall contract cost of £630,985 for the five-year period. However, with the city's current financial position it would not be prudent to commit to a contract for the five year period resulting in an addition financial burden of £146,000.

#### Retender the contract

This was considered and ruled out as an option last year due to commitments from FftF. There are only two players on the market for this type of system – that fully meet the City's needs. Civica and Capita, of which Capita is considered a more expensive option. An example of this is transaction fees for online payments, simply moving to Civica will save the Council in the region of £35k per annum with no impact on service delivery. Implementation costs would be expensive (well in excess of £100,000)

It was not feasible to manage an income and cash management tender and potentially an implementation alongside the FftF project.

Although FftF is due to go live in April 2021, the time required to retender and award will be 18 months, which falls after the renewal date. Knowledge of the market suggests there is limited scope for savings through a retender, the time required for implementation is a minimum of 6 months. Costs of a reimplementatation would be expensive and there is little to differentiate the providers.

## Finance Comments - 3-year Income Management Enterprise License

This decision seeks approval to enter into a direct award call-off contract with Civica under an existing Crown Commercial Service framework arrangement for the Council's corporate income management system.

The total value of this decision over the 3 year contract is £0.484m and is a mixture of capital and revenue expenditure. A breakdown of contract costs are contained in table 1 below:

Table 1 - Contract values & Description	Year 1	Year 2	Year 3	Total
	£m	£m	£m	£m
Discounted Parity Licence	0.175	-	-	<b>0.175</b>
Annual Fees	0.063	0.063	0.063	<b>0.188</b>
Discounted Parity License Annual Fee	0.009	0.009	0.009	<b>0.027</b>
Discounted 300k Additional Transactions	0.032	0.032	0.032	<b>0.095</b>
<b>Price Per Year</b>	<b>0.278</b>	<b>0.103</b>	<b>0.103</b>	<b>0.484</b>

The funding of this decision is split as:

- £0.175m one-off cost in relation to capital and is to be funded from existing MTFP budget from within Finance and IT services. Due to this, there is no additional draw needed from the capital programme and no new prudential borrowing will be needed.

- On-going costs of £0.103m annually (total of £0.309m over the 3 year contract) to be funded from existing MTFP budget from within Finance and IT services also.

Total funding split across the two services is contain in table 2 below:

Table 2 - Funded by:	Year 1	Year 2	Year 3	Total
	£m	£m	£m	£m
Finance (N-R-5016)	0.228	0.063	0.063	<b>0.354</b>
IT (N-R-5204 - one-off)	0.010	-	-	<b>0.010</b>
IT (N-R-5204 - on-going budget - to be centralised)	0.040	0.040	0.040	<b>0.120</b>
<b>Total</b>	<b>0.278</b>	<b>0.103</b>	<b>0.103</b>	<b>0.484</b>

Multiple options have been considered to demonstrate value for money, and are contained within this decision, and the 3 year contract with the current provider Civica is deemed most suitable. By staying with the incumbent supplier avoids the potential costs of migration to a new system and the associated inherent risks of moving to new systems. An option to award a 5 year contract was deemed unsuitable due to tying NCC into a contract for a lengthy period and the cost savings associated with it would not make it materially beneficial. An option to renew the contract for 1 year only was not supported by the current provider due to their commitments with third party providers.

Due to existing MTFP budgets being identified for the contract, no financial pressure will occur as a result of this decision. Project leads however should closely monitor against the contract to ensure spend is in line with agreed amounts and ensure there is no risk of breaching any contractual terms that might incur financial penalties (if applicable with this contract).

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