

Executive Board – June 2021

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| Subject: | Benefits & revenues services for Nottingham |
| Corporate Director(s)/Director(s): | Clive Heaphy, Corporate Director of Finance & Resources |
| Portfolio Holder(s): | Councillor David Mellen, Leader of the Council |
| Report author and contact details: | April Corey; Senior Project Manager, 0115 8765521 |
| Other colleagues who have provided input: | Ceri Walters, Head of Commercial Finance Steve Oakley, Head of Contracting & Procurement |
| Subject to call-in: | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Key Decision: | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Criteria for Key Decision: | |
| (a) | <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision |
| and/or | |
| (b) | Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Type of expenditure: | <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital |
| Total value of the decision: | £21.5million |
| Wards affected: | All |
| Date of consultation with Portfolio Holder(s): | 21.04.2021 |
| Relevant Council Plan Key Theme: | |
| Nottingham People | <input checked="" type="checkbox"/> |
| Living in Nottingham | <input checked="" type="checkbox"/> |
| Growing Nottingham | <input type="checkbox"/> |
| Respect for Nottingham | <input checked="" type="checkbox"/> |
| Serving Nottingham Better | <input checked="" type="checkbox"/> |
| Summary of issues (including benefits to citizens/service users): | |
| <p>Northgate Public Services currently hold the main contract for the provision of the recovery of Council Tax debt, administration of Housing Benefits, Discretionary Hardship Support and all customer contact associated with the Revenue and Benefits services for Nottingham City Council (NCC). Northgate currently sub-contract the delivery of these services to Nottingham Revenue & Benefits Ltd (NRB Ltd), a Teckal company of NCC, under a contract which expires on the 31st October 2021.</p> <p>The decision sets out the process being undertaken to review the long term options available to NCC regarding the future operating model for NRB Ltd. This process aligns to the review of companies as set out in the Non Statutory Review and enable NRB to trade in a stable position until a later decision point.</p> <p>The decision recommends a direct award to NRB Ltd for a specific period of time from 1st November 2021 to deliver the functions referred to above. This will mitigate any loss or disruption of statutory services to citizens whilst the review referred to in point 1 above is being undertaken. The term of this award will permit NRB Ltd continue operating as a functioning business whilst the review is being undertaken.</p> <p>The contract timelines align to the review of companies as set out in the Non Statutory Review and enable NRB to trade in a stable position until a later decision point.</p> | |

Exempt information: State 'None' or complete the following

An appendix to the report is exempt from publication under paragraph 3, 4 and 5 of Schedule 12A to the Local Government Act 1972 because it contains information relating to legal privilege and commercial sensitivities regarding the future contract between NRB and NCC and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because the exempt information relates to sensitive financial details involved in the decision and associated legal privilege involved to take this decision.

Recommendation(s):

- 1** To note the proposed review of NRB Ltd will be undertaken during Summer 2021 which will provide recommendations for the future operating model of the company.
- 2** To approve the direct award of a contract to NRB Ltd from 1st November 2021 for a period of 17 months with the option to extend for 12 months (End March 2024) and then a further extension option of 12 months (End March 2025).
- 3** To note that performance measures of the existing contract will not be changed within the new contract award.
- 4** Delegate authority to the Corporate Director of Finance & Resources to award the contract between Nottingham City Council and Nottingham Revenues & Benefits Ltd on the basis that the criteria as laid out in Recommendation 1 are met.
- 5** To approve the financial inclusion of this decision in the budget process for 2021/22 and 2022/23.

1 Reasons for recommendations

- 1.1 Currently, transactional services associated with the recovery of Council Tax debt, contributions to care, administration of Housing Benefits, Discretionary Hardship Support and all customer contact services delivered by NRB Ltd are procured via a contract between Northgate and NCC. This contract is due to expire on 31st October 2021 and Northgate have confirmed that they do not wish to renew the contract with NCC.
- 1.2 The future of NRB Ltd needs to be considered in the long term. This report recommends the award of a contract to NRB Ltd in the short term (from 1st November 2021) until the long term review of NRB Ltd is completed. This contract award provides stability to NRB Ltd and therefore a consistent delivery of services to citizens whilst the long term strategic review of NRB Ltd is carried out.

2 Background (including outcomes of consultation)

- 2.1 The Ministry of Housing, Communities and Local Government (MHCLG) review carried out during 2020/21 delivered a recommendation that NCC should conduct an in-depth assessment of its group of companies during the first year of the Recovery and Improvement Plan and integrate their conclusions within their medium-term financial planning process. This will determine the future status of each company as part of the Council Group of companies. To provide the Council with a robust analysis of the available options, Chartered Institute Public Finance Accountancy (CIPFA) were also engaged to undertake a further review of NRB Ltd and have returned their findings to NCC.

- 2.2 On the basis of the CIPFA findings, a twin track approach has commenced whilst the outcomes of both reviews are explored further to inform a final decision regarding NRB Ltd.
- 2.3 This approach is to (a) put an immediate plan in place to continue the stable delivery of services by NRB Ltd by means of awarding a contract to NRB Ltd and (b) the conducting a broader long term strategic review of NRB Ltd. This long term review is expected to be complete by the end of 2021.
- 2.4 The review will assess the value that is delivered to NCC by the company and will consider the options to maximise such value. The options will in turn be assessed against a set of Strategic Principles for company ownership that have been developed with assistance from and endorsed by CIPFA. These include:
- Alignment with NCCs priorities and values
 - Long term financial resilience
 - Justifiable financial and legal commitments
 - Demonstration of Value for Money (including efficiency and opportunity to remove duplication with other NCC activities)
 - Acceptable risk profile
 - Organisational capacity to maintain oversight and controls
- 2.5 Once options have been assessed a business case for the preferred option will be developed and taken through an appropriate decision making process.
- 2.6 In order to maintain a consistent delivery of service and provide stability to the teckal company before the end of the current Northgate contract, it is necessary to agree a contract with NRB Ltd from 1st November 2021. The contract will include a break clause should the long-term review deem that the future of NRB Ltd is different to the current Teckal company arrangement. Any contracts that NRB Ltd have with external suppliers would be migrated to NCC.
- 2.7 The contract will continue with the level of service delivery for NCC and citizens as per the current contractual arrangement measuring performance through a prescribed specification and framework captured within the contract. The performance indicators will align to and be monitored in accordance with the current contract preventing any variation or impact to citizens and the Council in service delivery and outcomes.
This contract will be awarded in line with financial regulations related to Teckal companies.

3 Other options considered in making recommendations

- 3.1 Do Nothing: This is rejected as at the end of the Northgate contract on 31st October 2021, there will be no contract in place to deliver the statutory services for the citizens of Nottingham and therefore Nottingham City Council will have to provide the service. This would result in as the services automatically transfer “in-house” to NCC without any preparation or organisation for NRB colleagues who would potentially have a right to TUPE into Nottingham City Council. NRB would exist as a company with no real income as they are reliant on city council work to continue to do business. This is likely to cause significant disruption for the citizens of Nottingham in receipt of these services. This option does not enable an informed decision to be taken regarding the future of NRB Ltd as the parallel long term strategic review of the company cannot inform future decision making regarding the teckal company.

- 3.2 Outsourcing of Contract to the Market: The long-term review of NRB currently taking place will review the strategic aspects of delivering these services and recommend the most beneficial value for money delivery of services including the option to outsource the contract.
- 3.3 This comprehensive review will be all inclusive and be complete by the end of 2021 at which point a decision regarding in-sourcing can take place. This is rejected as this work cannot be completed by 31st October 2021 as it would require a full business case and assessment of make or buy options, plus an open tender with the market to identify a supplier that can provide the service.

4 Finance colleague comments (including implications and value for money/VAT)

- 4.1 Contract and budget history: On 17 June 2014 Executive Board approved a proposed model to enter a partnership arrangement with Northgate Information Systems (NIS), which would deliver savings of £6.002m over 7 years; bring external investment in technology and specialist skills to improve service delivery; safeguard the future employment of the approximately 207 FTE posts within the current service and deliver a new regional business centre in Nottinghamshire, creating 169 new jobs for the area.
- 4.2 An options appraisal was developed outlining other options and the decision was supported by an externally commissioned assessment of the value for money of the proposal.
- 4.3 The delivery of the savings from this agreement, were captured in the Medium Term Financial Plan (MTFP), investments were undertaken in IT and service delivery were improved; these are monitored through the key performance indicators set out within the contract and these will continue into the direct award to NRB Ltd to maintain service delivery requirements for both NCC's income collection and citizen support.
- 4.4 The contract baseline tolerance levels were predicated on assumptions regarding the uptake of Universal Credit and the impact that would have on reduced Housing Benefit caseloads. (It is well documented that the DWP Universal Credit implementation plan has slipped year on year). This resulted in contract renegotiations in August 2017.
- 4.5 This created a budget pressure that was captured in the annual outturn position partly mitigated by other underspends. These underspends have now been captured as part of the 2021/22 budget process and are no longer available.
- 4.6 The financial impact of this decision is captured in the exempt appendices.

Advice provided by Ceri Walters, Head of Commercial Finance; 08.06.2021

5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

- 5.1 This report seeks authority to award a contract for inter alia the recovery of Council Tax, administration of Housing Benefits, Discretionary Hardship Support and other customer contact services to Nottingham Revenue and Benefits Limited ('NRB'). NRB is a wholly owned subsidiary company of the City Council. It was created to act as the nominated sub-contractor when the contract for revenues and benefits was first awarded to Northgate Public Services Limited. That contract is due to expire on 31st October 2021. If the City Council decided

not to award a new contract to commence from the 1st November and to provide the services in-house the employees of NRB would transfer to the City Council in accordance with the TUPE regulations. By awarding NRB a contract its employees will remain as employees of NRB.

- 5.2 Notwithstanding that the UK has withdrawn from the EU the Public Contracts Regulations 2015 ('the Regulations') remain in force and the City Council continues to be subject to procurement duties. However as from the 1st November NRB will meet the requirements of the procurement exemption in Regulation 12 of the Regulations which is often referred to as the Teckal exemption and companies which benefit from it are often referred to as Teckal companies. This exemption enables the City Council to make a direct award of the contract described in this report to NRB without having to undertake a competitive tender process. As provided for in the City Council's constitution this direct award does not require a dispensation from Financial Regulations. Although the City Council is permitted to make a direct award to NRB it must still ensure the contract provides value for money. That means ensuring both the contract price and the standard of services to be provided for that price provide value for money.
- 5.3 As NRB is a wholly owned subsidiary the City Council has power to provide services to support NRB and should recover the costs of providing those services. Those services will include IT, procurement and HR support.
- 5.4 A rationale for awarding the contract to NRB is to enable NRB to undertake the provision of services for persons other than the Council which is permitted by Regulation 12. However to enable NRB to best take up those opportunities and not to create additional financial liabilities for the City Council, the City Council must ensure NRB has the necessary commercial expertise and support available to it including at board level.

Comments supplied by Andrew James, Team Leader – Commercial, Employment and Education 15.04.2021.

- 5.5 This report seeks approval for a direct award of a contract to NRB from the 1st November 2021, which is allowed under the Teckal Exemption within the UK Public Contract Regulations 2015. Discussions with NRB will be held over the next couple of months to ensure the contract provides NCC with best value and enables NRB to maximise its activity within the Regulations for Teckal companies. To enable the contract to be awarded and any subsequent extension Procurement will support the department with ensuring the NRB contract provides value for money.

Comments supplied by Steve Oakley, Head of Contracting and Procurement 16.04.2021

6 Strategic Assets & Property colleague comments (for decisions relating to all property assets and associated infrastructure)

- 6.1 Not applicable

7 Social value considerations

- 7.1 NRB as a local company employ a significant number of staff from the local community.

8 Regard to the NHS Constitution

8.1 Not applicable

9 Equality Impact Assessment (EIA)

9.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because there is no change to services.

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

10 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

10.1 None

11 Published documents referred to in this report

11.1 Executive Board Report: Future delivery model for the Revenues and Benefits service – June 2014