

**Report of Head of Council Tax and Benefits**

**Report to Chief Officer Customer Access & Welfare**

**Date: 6th August 2020**

**Subject: Approval to use CCS Framework – RM3821: Data and Applications Solutions, Lot 2a: Business Applications to appoint an Off Site Council Tax & Benefit Processing provider**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**1.0 Summary of main issues**

1.1 To address increased levels of work created by DWP initiatives to detect Housing Benefit Fraud and Error in Benefits and the recruitment freeze that is in place within the Assessment Unit of Leeds Benefits Service.

1.2 Using funding provided by the DWP, Leeds Benefits Service initially used both Northgate Public Services and Capita Business Services to provide Offsite Processing.

1.3 Leeds Benefits Service then moved to use a single supplier for Off-Site Processing, namely Capita Business Services, with this provision being underpinned by contract DN387943.

1.5 Increased volumes of work being directed to Off-Site Processing has identified that at times Capita Business Services have not always had capacity to process all the work that is required of them

1.4 In order to address this extra volume of work, Leeds Benefits Service have been trialling the use of Northgate Public Services. The service that they have been providing has proved to be satisfactory, but this has never been underpinned by a long-term contract. The ongoing need for this additional resource, combined with continued funding from the DWP means that it is appropriate for there to be a contract in place with Northgate Public Services for the undertaking of this work.

1.5 In April 2020, approval was received from Chief Officer Customer Access & Welfare for the Welfare & Benefits Service to appoint an additional provider for off-site processing, with this provider being identified from the CCS Framework – RM3821: Data and Applications Solutions, Lot 2a: Business Applications, for the supply of offsite processing.

1.6 A review of the CCM Framework RM3821, Lot 2a, has shown that of the seven suppliers listed, only Northgate Public Services and Capita Business Services, offer a Housing Benefit processing service, and Capita are already used for this purpose through an existing contract.

1.7 Not discounting previous costs incurred in this area, estimated contract costs will be no more than £500k for the full contract duration (including any extension) estimated at £70k per year and is dependent on the work that is given to the contractor through the framework. There is no guarantee that any work will be allocated.

1.8 Having concluded the review in conjunction with Procurement and Commercial Service, this report seeks Chief Officer, Customer Access & Welfare, approval to appoint Northgate Public Services as provider to undertake off site processing.

## **2.0 Recommendations**

2.1 The Chief Officer Customer Access & Welfare is recommended to approve the use of the CCS Framework – Data and Applications for the provision of Off Site Processing and make a direct award to Northgate Public Services

2.2 Subject to approval, the contract is to be awarded from 1<sup>st</sup> September 2020 for 5 years with the option of one extension for a period of 2 years.

2.3 The estimated contract value is no more than £500k for the full contract duration (including any extension), with the annual value being estimated at £70,000.

## **3.0 Purpose of this report.**

3.1 This report seeks approval from the Chief Officer Customer Access & Welfare, using delegated authority, to appoint Northgate Public Services as an additional provider to the Offsite Processing of Council Tax & Benefits.

3.2 The recommended provider has been selected from the CCM Framework – RM3821: Data and Applications Solutions, Lot 2a: Business Applications.

3.3 Subject to approval, the contract is to be awarded from 1st September 2020 for 5 years with the option of one extension for a period of 2 years.

## **4.0 Background information**

4.1 To address increased levels of Housing Benefit work created by DWP initiatives to detect Housing Benefit Fraud and Error in Benefits, and also due to the ongoing recruitment freeze that has seen staffing levels reduce within the Benefits Service (05 301) from the budgeted level (including vacancies) of 105.52 in 2018/19 to 89.64 in 2020/21,

Leeds Benefits Service have been using funding provided by the DWP to use both Capita Business Services and Northgate Public Services to deliver this work through off site processing.

4.2 The use of offsite processing has been a continuation of an arrangement first introduced through quotations for Off Site Processing in 2012 where increased Housing Benefit workloads required additional resource, and off site processing was identified as the most efficient and economical way of this being achieved.

4.3 At that time the Benefits Service initially used Northgate Public Services and Capita Business Services to undertake this work, and their quotations were based around the companies doing “new” & “change in circumstance” Housing Benefit related work.

4.4 The arrangement progressed to only using Capita Business Services as they were identified as the preferred provider, and this was underpinned by contract DN387943.

4.6 The increased volumes of work arising from DWP related activity for which they provide additional funding means that it is appropriate to have a second provider available so as to provide resilience and ensure that the appropriate level of service can continue to be maintained to our customers.

## **5.0 Main issues**

5.1 The decision to use Off Site Processing was to help meet the requirements of both the DWP Housing Benefit Anti-Fraud initiative and Changes of Circumstance work, and to ensure that “business as usual” is not affected. Whilst the use of overtime and bringing in additional agency staff was a consideration, this was determined uneconomical and not in the best interests of the Council. With full service Universal Credit in place in Leeds since October 2018 the recruitment of new resource was determined unsuitable as in time there would then be a need to reduce the Benefit Service staffing base as Housing Benefit caseload reduced.

5.2 DWP funding is only agreed and settled annually. In receiving additional funding, the DWP stipulate that the funding must only be used on the work that is generated by them and cannot be spent on “business as usual” benefit related activities. The DWP monitor the effect of their referrals, and can audit the Council on the work that is being undertaken. If the DWP consider that the funds provided are not being spent in accordance with the conditions that they impose, they may demand unspent funds be returned. This is clearly an outcome the Council does not favour, particularly in the current financial climate.

5.3 Universal Credit Full Service was introduced to Leeds in October 2018, and will eventually lead to a decreasing level of work within Welfare and Benefits, but there is still a continued need for off-site processing until such time Government funding to undertake the new burdens activity ceases and/or the Housing Benefit caseload can be fully maintained in house.

## **6.0 Contract Award**

6.1 Working in conjunction with Procurement and Commercial Services, CCM Framework – RM3821: Data and Applications Solutions, Lot 2a: Business Applications

was identified as an appropriate framework which the Council could use to underpin the additional off site processing function.

6.2 Northgate Public Services are one of seven listed within the framework to provide the Benefits Processing service, but are the only company, other than Capita Business Services, that offers off site processing which is the sole requirement of this contract.

6.3 By awarding the work through the framework the Council has the assurance that due diligence has been undertaken on the provider, as this will have been undertaken when the framework was set up. Additionally, as Northgate Public Services are already undertaking work for the Benefits Service access to the systems they require are already in place.

6.4 Since the inception of this contract award, the financial climate has changed as a result of Covid-19. As a result the recently updated procurement policy states that contracts should only be awarded for a maximum of 12 months, unless there are exceptional circumstances. In order to award this contract for five years it is necessary to claim exceptional circumstances in this case. This is because there is no cost to the Council for the term of the contract, as all costs incurred are reimbursed to the Council through the DWP new burdens funding scheme. In addition the impact of Covid-19 is likely to impact the service as benefit claims are likely to significantly increase due to predicted economic instability over the contract term.

## **7.0 Corporate Considerations**

### **7.1 Consultation and Engagement**

7.1.1 Procurement and Commercial Services have been consulted throughout the process and have provided direction that supports the recommendations in this report.

### **7.2 Equality and Diversity / Cohesion and Integration**

7.2.1 Not applicable.

### **7.3 Council policies and City Priorities**

7.3.1 The key priority is to ensure that the procurement is in line with the Council's Contract Procedure Rules, and that it results in the provision of a fully-managed end-to-end service, and provides best value for money in that it supports the Council's Best Council Plan for achieving savings and efficiencies.

7.3.2 The decision to appoint an external provider to undertake this activity does not discount that this work may come "in house" at a later date during the term of contract.

### **7.4 Resources and value for money**

7.4.1 The DWP funding made the condition that it is to provide LAs with the capacity to address fraud and error activity without affecting any other business administration.

7.4.2 Options considered for the best use of this funding by the service, and the reasons for their rejection were:

- Overtime – Experience has demonstrated that there is variable take-up of overtime within the service. As such the work requirements of the DWP and its associated funding, could not be assured
- Agency Staff – Previous experience of using this resource has demonstrated that it is both costly and unreliable as there are a limited number of staff with relevant experience they can charge a high hourly rate and they are liable to leave with little notice so as to take up more lucrative contracts.
- Recruitment - This was discounted since not only can this be a lengthy process with potential lengthy training periods required but, additionally, the DWP Funding is only allocated annually, there is no certainty of its continuation and the change from Housing Benefit to Universal Credit for Working Age claims means that there will likely be a need to reduce rather than increase staffing levels.

7.4.3 Northgate Public Services have demonstrated they are able to provide a level of staffing available to undertake the work on an ongoing basis, and these are staff with experience of both HB and the Academy System. There is a fixed rate for the work that is undertaken, and the LA are not obliged to send them any work.

7.4.4 The direct call off from the framework means that a full procurement exercise, which is both timely and costly, does not have to be undertaken. The CCS framework was procured through a fully compliant OJEU tendering exercise, and due to the fact that it is a national framework, it should achieve best value through aggregation of demand and economies of scale

7.4.5 Northgate Public Services are already undertaking off site processing for the service, and so have access to the required system, and there are existing controls and measures in this regard that will remain in place.

7.4.6 The costs incurred by the Council is fully funded by Government and is considered best value for money.

## **7.5 Legal Implications, Access to Information and Call In**

7.5.1 This is a Significant Operational Decision as defined under Article 13 of the Council's constitution. It does require publication but is not subject to call-in under the Scrutiny Board Procedure Rules.

7.5.2 The terms of the framework is current, and the terms and conditions of the framework and the Call-Off Agreement are considered acceptable to the Council subject to the inclusion of the Council's standard clauses in relation to GDPR indemnity, Human Rights, and the provision of assistance to support Scrutiny Board/Executive Board enquiries in respect of the Agreement.

7.5.3 Use of the CCS Framework – Data and Applications framework is fully in accordance with CPR 3.1.6

7.5.4 In the interest of transparency and equal treatment, it is advised that following the call-off from the CCS Framework – Data and Applications agreement and award decision that a voluntary 10 day standstill period be observed in order to allow any potential challenge to be brought by any other providers. If no challenge is made, a claim for ineffectiveness cannot be brought. Further, observing a voluntary standstill period will also start time running for any other potential claim for breach of the Regulations, which must be brought within 30 days of the date that an aggrieved party knew or ought to have known that a breach had occurred.

## **7.6 Risk Management**

7.6.1 Whilst risk is inherent in the lack of control which the Council has over the procedure for establishment of the external framework, there are no current or previous challenges to this framework of which the Council is aware and legal advice is that the procedures seem well documented and robust.

7.6.2 The Council can cease use of the service at any time during the contract should it not evidence value for money as planned or indeed Government funding ceases.

## **8.0 Conclusions**

8.1 The awarding of the contract through the CCM Framework to Northgate Public Services allows the council to demonstrate best value for money having in effect entered a call-off agreement rather than a lengthy and costly whole-of-market competitive process to secure the supply of off-site processing

## **9.0 Recommendations**

9.1 The Chief Officer Customer Access & Welfare is recommended to approve the use of the CCS Framework – Data and Applications for the provision of Off Site Processing and make a direct award to Northgate Public Services

9.2 It is recommended that the contract be awarded for five years from 1st September 2020 with the option to extend for two further years.

9.3 The estimated contract value is no more than £500k for the full contract duration (including any extension), with the annual value being estimated at £70,000.

## **10.0 Background documents<sup>1</sup>**

None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.