

## **NORTH SOMERSET COUNCIL DECISION**

**DECISION OF: EXECUTIVE MEMBER FOR SUPPORT SERVICES  
DIRECTORATE: CORPORATE SERVICES**



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**DECISION NO:** CSD016 (2024-25 Scheme)

**SUBJECT:** CONTRACT AWARD REPORT FOR THE APPOINTMENT OF A LONG-TERM STRATEGIC PARTNER TO DELIVER REVENUES AND BENEFITS SERVICES (CONTRACT 1)

**KEY DECISION:** YES

**REASON:** The value is over £500,000 and is considered to have a material impact on more than two wards.

### **BACKGROUND:**

Since April 2011, the Revenue, Benefits and Welfare, and Exchequer Services have been delivered under the Agilisys Support Services contract via an acknowledged sub-contractor Liberata. In 2015 Parking Administration services were added to this scope.

Performance has been assured over this duration with North Somerset Council consistently ranked in the top five in the national league tables for benefits processing times and first in the Rural Services Benchmarking tables for revenue collection.

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.

This decision seeks approval to appoint the preferred bidder (Liberata) as the long-term strategic partner for this contract. In February 2024, Full Council agreed to delegate the final award decision to the Executive Member for Corporate Services in consultation with council officers, following final agreement on the contract price, contractual terms and conditions, and documented tender clarifications. The award of a contract at the tendered price of £50.6m over a ten-year term (contract review after seven years, with the option to continue delivery for a further three years) of the contract following a competitive procurement process conducted under the Crown Commercial Service Framework (RM6181).

**DECISION:**

Approve a contract award to Liberata UK Limited, 2nd Floor Front, 60 Cheapside, London, England, EC2V 6AX, Company number 01238274. The contract value based on a baseline value for 2024/25 prices which equates to £5,064,298 exc. VAT. The contract is recurring annually for ten years (seven plus three years) and will be subject to annual indexation.

**REASONS:**

To ensure engagement and understanding across the organisation, significant internal consultation 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:

- 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.

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; firstly issuing an 'Expression of Interest' request to the RM6181 framework providers, generating responses from three suppliers. Secondly, issuing a full tender request which concluded on 20<sup>th</sup> 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 evaluation conclusion produced the following headlines from the Preferred Bid:

- A commercial offer that delivers the long-term MTFP savings targets.
- Future improvements in revenue collection rates and digital automation, to ensure the authority remains in the top performance quartile.
- 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 underrepresented and groups that have spent time out of work, and;
  - a range of green commitments.

- Opportunity for further financial savings from proposed additional proposals.

### **Procurement outcome**

Following our evaluation of the marketplace we have shortlisted Liberata UK Limited from the Crown Commercial Services framework (RM6181).

### **Timeline**

The new contract will start on the 1 October 2025, with a full transition period running before the start date.

### **FINANCIAL IMPLICATIONS:**

The cost of the services in the scope of “Contact 1” currently stands at £5.9m per year under current arrangements. The recommendation within this paper include the appointment of the preferred supplier at the equivalent cost of £5.0m per year with a recommended contract duration of 10 (7+3) years, which would equate to £35-£50m over the life of the contract depending on the term.

The annual contract cost 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. The new contract however is capped to ensure that the council's future financial exposure during this period is limited.

The procurement will deliver financial savings against this existing expenditure profile whilst ensuring that a quality service is maintained for residents which will be achieved through a combination of efficiencies and contractual arrangements, given 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 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 information.

### **Costs**

The total cost of the revenues and benefits element of “Contract 1” is expected to be between £35-50m depending on contract duration. The cost of using the Crown Commercial Service framework RM6181 is 1% of the total contract cost which is payable by the new contractor and has been factored into the contract price model.

The procurement has been conducted on the basis that the contract will include a total value of £120m to provide scope to include growth and capacity to add future shared services by working with other public sector organisations.

The preferred bidder submitted a price assuming a start date of 1 April 2024, which totalled £4.976m. A small adjustment of c. £0.088m will be required to reflect the increased impact of the 2023/24 pay award, which was not available during the tender process, which means that the revised **procurement baseline is £5.064m** at 2024/25 prices.

This contract price will need to be inflated on 1 April 2025, although the inflationary drivers for this are not yet known because they will be published in the future. Appendix 1 provides a summary of the agreed baseline contract values together with modelling to show how potential future inflationary rises might impact on the contract price for next year. All inflationary changes will be documented and agreed by both parties through the Contract Change governance process.

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

### **Funding**

Funding for the delivery of the services included within the Contract is included within the revenue base budgets of the council and it is anticipated that an overall budget reduction can be made from this base sum, subject to final confirmation of contract details, including start date and transitional period.

The one-off costs associated with this and the wider procurement will be funded from existing corporate services reserves and their use will be subject to the council's existing governance processes.

### **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 beyond 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 the provision of the services.

A full, detailed procurement has been conducted under the Crown Commercial Services framework (RM6181).

The Council has an obligation to ensure that costs incurred deliver value for money and follow the appropriate governance channels. This decision aligns to the requirements laid

down within the Constitution in respect of contract standing orders and financial regulations.

## **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

Climate impact and the environmental implications have been assessed as part of the evaluation process. These environmental considerations form part of the social value requirements 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.

## **CONSULTATION**

Consultation of relevant Council Officers was ensured by the creation of an evaluation team representing the 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.

## **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.

## 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.

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.

## CORPORATE IMPLICATIONS

This decision supports delivery of the procurement process approved by Full Council in at the meeting in September 2023.

**APPENDICES** – Appendix 1 – Financial summary showing Bid submission and baseline contract price

**BACKGROUND PAPERS** - Council Report: [Committee Report NSC \(moderngov.co.uk\)](https://www.moderngov.co.uk)

SIGNATORIES:

DECISION MAKER(S): Director of Corporate Services



Signed:

Title: Cllr Mike Bell, Executive Member for Support Services

Date: 15 August 2024

**APPENDIX 1 – Financial summary of Contract 1**

	1	2	3	3	3
SSP CONTRACT 1 - REVENUES & BENEFITS, EXCHEQUER SERVICES & FINANCIAL TRANSACTIONS	Total Cost of Bid Submission	Adjusted Contract Price 1 April 2024	* Indicative indexation for 2025/26	Indicative Contract Cost 1/4/2025 to 31/3/2026	Potential Contract Cost 1/10/25 to 31/3/2026
Council Tax	1,262,665	1,282,911	49,587	1,332,498	666,249
Non Domestic Rates	260,398	264,548	10,243	274,792	137,396
Administration of Assessments	1,330,640	1,354,724	50,410	1,405,134	702,567
Discretionary Housing Payment	48,183	49,156	1,758	50,914	25,457
Revenues Benefits & Welfare Handling	553,400	563,993	20,577	584,570	292,285
Welfare Provision Scheme - Crisis Payments	35,364	36,072	1,262	37,334	18,667
Creditors Services	252,216	257,226	9,892	267,118	133,559
Debtors Services	147,145	149,954	5,634	155,588	77,794
Cash and Bank	340,802	345,583	14,020	359,603	179,802
Accounts Payable Procurement	60,360	61,631	2,152	63,783	31,891
Social Care Financial Transactions	288,748	294,828	10,772	305,601	152,800
Housing Services	197,969	202,138	7,099	209,237	104,619
Civil Enforcement Administration	198,108	201,533	7,605	209,137	104,569
Weston & Clevedon BID	0	0	0	0	0
<b>TOTAL CONTRACT COST</b>	<b>4,976,000</b>	<b>5,064,298</b>	<b>191,012</b>	<b>5,255,309</b>	<b>2,627,655</b>

- 1 - This is the 2024/25 price submitted by Liberata as part of the procurement process and is the legal baseline for SSP Contract 1
- 2 - This is the revised legal baseline price, having been adjusted by inflation on pay relating to the 2023/24 financial year
- 3 - This reflects an illustrative price that could be payable at 2025/26 prices - based on the core terms and conditions within the Contract

**Current core indexation assumptions;**

- External costs and overheads	CPI - 12 month change between Fe Published March each year	4.90%	Cap of 5%
- Labour (NJC T&C's) - pay	NJC pay award	4.00%	Cap of 5%
- Labour (NJC T&C's) - pensions	LGPS increase	0.50%	
- Labour (Liberata T&C's) - pay	NJC pay award	3.00%	Cap of NJC increase
- Labour (Liberata T&C's) - pensions	LGPS increase	0.50%	

\* Each of these factors are likely to change before 1 April 2025 and so will all need to be re-visited and updated in order to ensure that the price payable in 2025/26 is correct, based on the Baseline and the legal Terms and Conditions.

**Footnote: Details of changes made and agreed by the decision taker since**

**publication of the proposed (pre-signed) decision notice, if applicable:**