

REPORT TO	DATE OF MEETING
Cabinet	6 th November 2013

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Essential IT Upgrades / Enhancements - Waiver of Contract Procedure Rules Revenues & Benefits Software	Cllr Hamman	M Fisher	6(b)

SUMMARY AND LINK TO CORPORATE PRIORITIES

Efficient, Effective and Exceptional Council

1 BACKGROUND

- 1.1 Capita Revenues & Benefits Software is a back office software package utilised by South Ribble Borough Council to process and store all aspects of its work involved in the billing and collection of Council Tax and Non Domestic Rates. In addition the system also processes all payments of Housing Benefits and payments of Council Tax Support.
- 1.2 The council undertook a full procurement exercise in 1998 to procure this software solution. The maintenance contract was renewed in 2006 and was due to expire in April 2013. The purpose of this report is to seek approval to waive CPR's (Contracts Procedure Rules) to allow a further maintenance agreement to be directly awarded to Capita on a 12 month rolling agreement (12 months' notice required by either party), until April 2016 for the reasons outlined in this report.
- 1.3 The processes involved in calculating Council Tax/Business Rate Liabilities and Housing Benefit/Council Tax Support entitlements are hugely complex. In addition changes have and continue to be made to the legislation affecting Revenues & Benefits. Therefore data conversion is extremely complicated.
- 1.4 The Housing Benefit aspects of the software forms a significant element of the systems currently utilised in the Revenues & Benefits environment. A large portion of the on-going maintenance costs would be attributable to Housing Benefits.
- 1.5 South Ribble Borough Council pays Capita a maintenance agreement fee to ensure that the software being used remains legislative compliant; in addition this fee also provides Helpdesk assistance to the Council for when any issues with the software arise and limited system enhancements.
- 1.6 The cost of the new maintenance agreement will be approximately £ 32,000 per year subject to annual inflationary rises.

- 1.7 In addition to the annual maintenance fee (currently £ 32,000) South Ribble Borough Council may pay Capita for other major software developments. These are not planned by either the Council or Capita and are additional spend outside of the Contract. These software changes result from changes in legislation - the cost of these changes is generally met by Central Government New Burdens Funding. This funding includes elements included for payment for software changes. These charges are not unique to Capita and would apply irrespective of who the software supplier is.

2 RECOMMENDATIONS

That Cabinet approves the following:

- 2.1 To waive the requirements of paragraph 11 of the Council's Contract Procedure Rules to allow a further maintenance agreement to be directly awarded to Capita on a 12 month rolling agreement (12 months' notice required by either party), until April 2016 for the reasons outlined in this report.
- 2.2 To waive the requirements of paragraph 11 of the Council's Contract Procedure Rules to grant delegated authority to the Director of Business Transformation to approve any future, mandatory, central government funded procurements of legislative upgrades by direct award to Capita for the reasons outlined in this report and as described in paragraph 1.9 above, provided that the aggregate value of such procurements does not exceed £75,000 in any one financial year.

3 DETAILS AND REASONING

- 3.1 These are not normal times the Revenues & Benefits Services are operating in. Therefore alternative solutions need to be examined rather than the normal procedures for the review of software systems.
- 3.2 Revenues and Benefits are undergoing the most fundamental changes to its systems and processes since 1982. The Coalition Government's Welfare Reform Agenda will fundamentally change how recipients of welfare benefits receive these payments in the future. These changes have already begun.
- 3.3 The proposals see the merging of the majority of welfare benefits (including Housing Costs) into a single payment called Universal Credit; this will see the abolition of Housing Benefit by October 2017 at the latest. The implementation of Universal Credit has already begun in limited circumstance for some recipients of benefit. The inclusion of Housing Costs will see the phased withdrawal of Housing Benefits.
- 3.4 In April 2013 as part of the Welfare Reform Agenda, Council Tax Benefit was abolished and every Local Authority was required to implement its own form of Council Tax Support. This takes two forms - a National Scheme for Pensioners and a Local Scheme for all Claimants of Working Age.
- 3.5 Capita Revenues & Benefits Software has been installed in the Council for 15 years. It is regularly upgraded based on an annual release schedule -the latest release being October 2013. The Council is more than satisfied with the service provided by Capita and it is widely perceived as being the best available based on functionality, service and cost. The software is robust and offers availability levels in excess of 98%.

- 3.6 The council needs to find an interim arrangement to deal with on-going changes coming from the Welfare Reform Agenda. It seems to be inappropriate to tie ourselves into a long term contract beyond the abolition of Housing Benefit.
- 3.7 On-going maintenance can only be carried out by Capita; therefore no alternative supplier is available without the wholesale replacement of the back office systems.
- 3.8 Wholesale replacement of the back office system would result in a contract value in excess of the current EU procurement threshold of £173,924 incurring significant additional process costs over and above the proposed solution.
- 3.9 The council has a hardware platform in place which will enable the current system to continue without any significant additional cost. This would not be the case if an alternative software supplier was chosen.
- 3.10 The resources to undertake any procurement/evaluation/implementation would be significant. It is likely these would exceed the cost on maintaining the current systems.
- 3.11 Most councils only ever change software suppliers when there is an imperative need to do so. For example when a system doesn't perform and becomes unsupported.
- 3.12 In addition to the cost of change all LA's experience a dip in collection/processing performance when any change is undertaken.
- 3.13 The current software is on a platform which South Ribble Borough Council has considerable skills and expertise in maintaining. This is not the case for some of the alternative suppliers, therefore extensive retraining would be required or additional skills would need to be bought in.
- 3.14 Any new software system would require expensive training for all Back and Front Office staff. This would also have a substantial cost attached and would also impact upon performance.
- 3.15 The market for Revenues & Benefits Software is dominated by three suppliers Capita, Civica and Northgate.
- 3.16 Maintaining the status quo with an on-going maintenance agreement would have no revenue expenditure impact beyond RPI Inflation increases

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

FINANCIAL	<p>The annual maintenance costs are included in the ICT revenue budget. The current maintenance charges are just under £ 32,000. This extension will see these charges rise by inflation during the period of the agreement. This equates to additional expenditure of around £ 1,000 per annum for the 3 year period.</p> <p>The ICT replacement programme includes a capital budget for the replacement of the Revenues & Benefits System in 2015/16. If the contract is extended until 2016, this budget will no longer be required and will therefore be re-phased into future years.</p>
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<p>LEGAL</p>	<p>Paragraph 44 of the Contract Procedure Rules sets out the circumstances in which a waiver of these rules may be granted. Waivers shall only be given in exceptional circumstances.</p> <p>In particular there are two paragraphs which are relevant here which can be relied upon to justify a waiver. Firstly that “the nature of the market for the works to be carried out or the goods and services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of the Rules is justifiable.” Secondly that “there are other circumstances which are genuinely exceptional and not of the Council’s own making.”</p> <p>The specific factors which have been taken into account in reaching the conclusion that it is appropriate to waive the relevant Contract Procedure Rules are set out in the report and include:</p> <ol style="list-style-type: none"> 1. The current climate of change and uncertainty affecting the work of Revenues and Benefits; 2. It would be inappropriate to commit to a new long term contract beyond the abolition of Housing Benefit; 3. The services currently being provided are of a high standard; 4. In the circumstances it is considered that a further agreement with Capita on a 3 year rolling basis, is the most practical and cost effective solution
<p>RISK</p>	<p>If the Council does not proceed along the lines suggested in this report then this would necessitate a full procurement exercise that would be both time consuming and disruptive. It is considered that waiving the relevant Contract Procedure Rules (and granting a direct award for a new year three year rolling agreement) is the best practical solution.</p>

<p>THE IMPACT ON EQUALITY</p>	<p>None</p>
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<p>OTHER (see below)</p>	
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<p><i>Asset Management</i></p>	<p><i>Corporate Plans and Policies</i></p>	<p><i>Crime and Disorder</i></p>	<p><i>Efficiency Savings/Value for Money</i></p>
<p><i>Equality, Diversity and Community Cohesion</i></p>	<p><i>Freedom of Information/ Data Protection</i></p>	<p><i>Health and Safety</i></p>	<p><i>Health Inequalities</i></p>
<p><i>Human Rights Act 1998</i></p>	<p><i>Implementing Electronic Government</i></p>	<p><i>Staffing, Training and Development</i></p>	<p><i>Sustainability</i></p>

BACKGROUND DOCUMENTS

None