

Agenda Item 21

Cabinet

13 July 2011

SD



Revenues & Benefits IT Software

Exempt Information

Para 3 Schedule 12A – Information relating to the financial or business affairs of any particular person (including the local authority holding that information).

Summary

The Council uses the Capita Revenues and Benefits IT system to deliver Housing Benefit Administration and Council Tax Collection. The licence to use this system terminated in July 2010.

After much discussion within the Council and with suppliers we have a proposal that allows the Council to continue using the system; produces the desired software licence; reduces ongoing revenue costs; replaces the old Business Rates software system with a modern integrated one; and has an overall return on investment of less than five years

Recommendation

To agree to purchase the Capita Module of the Business Rates System for £65,000 with a payback period of 4.9 years, this facilitates the Council obtaining perpetuity licences in order to continue using the main capita system at no additional cost.

a) Reasons for Recommendation

In order to continue using the existing Revenues and Benefits software negotiations had to be had with the supplier Capita. It is considered that a good compromise has been reached and from a position of having to pay £53,000 in order to renew a licence this has now been waived with the purchase of the Business Rates Module which was in need of replacing. As the new system is simply a module of the current Capita system efficiencies will arise with system administration.

b) Alternative Options

Discussions were held with another main supplier of Revenues and Benefits software to determine if it would be beneficial to consider changing suppliers at this stage. It was clear that there was no cost advantage to be gained.

Also from a business view point changing to a new Revenues and Benefits system would have involved significant staff resources and risk. It is very likely that an outcome would be a temporary fall in collection rates because of conversion issues

(the last conversion took us nearly two years to recover) and a drop in Housing Benefit performance.

c) Risk Considerations

The recommendation does mitigate any future risks of coming to the end of a license agreement.

There is a of business interruption in changing core software systems with risks increasing as the number of users and data records increase. The Business Rates System has about 5 users in the Council and about 5,700 records, a lot less than the Revenues and Benefits system.

Data migration, always a key risk, will be mitigated by working closely with Capita who have carried out this process previously. However, all set ups are different and further mitigation will come from carrying out data cleansing and data reduction prior to data migration.

d) Policy and Budgetary Considerations

There is currently no budget provision this year for the £65,000 payment and a request is made that this is met through the General Fund savings made in 2010/12 of £342,000. There will be a reduction in annual revenue costs by £13,300 (annual maintenance and software costs).

e) Date for Review of Decision

N/A

1 Background

- 1.1 The Council uses the Capita Revenues and Benefits IT system to deliver its Housing Benefit Administration and Council Tax Collection service. The system currently holds 63,600 live Council Tax payers accounts and 10,600 Housing Benefits records and is essential to delivering the service.
- 1.2 The system was contracted in 2003 through an intermediary, SCC, for a license to use the software for 5 years with an extension of 2 years ending in November 2010.
- 1.3 This licence agreement, which is unusual compared with most of our software agreements in that the license for using the system was set for a specific period rather than “in perpetuity”, was not noticed by us or the supplier until the supplier was asked in December 2010 to reduce the maintenance cost of the product.
- 1.4 Capita’s initial response was an option for us to purchase the licence in perpetuity for £53,000.
- 1.5 Paying £53,000 for a system we thought we already “owned” was not a positive prospect and we sought more value, conscious that we were not in a strong negotiating position. However, Capita were also aware that they could find themselves having to re-bid for the business.

- 1.6 We introduced the possible replacement of the Business Rates system into the discussions. This is one of our oldest systems and has been identified for replacement for several years.
- 1.7 After lengthy negotiation a good comprise for the Council has been reached to continue using the existing Revenues and Benefits software in perpetuity with all licence costs waived. on the understanding that the Council will purchase the Business Rates Module of the Capita system together with implementation services.
- 1.8 The overall costs for the proposed arrangement can be summarised as:

Item	Current Annual Costs	Proposed One time Charge	Proposed New Annual Costs
Capita Ctax and Bens	£39,400	£0	£36,400
Development Fund	£8,500	£0	£10,000
Remote Support	£29,000	£0	£27,600
Capita NNDR	£0	£65,000	(included in above costs)
Civica NNDR	£10,400	£0	£0
Total	£87,300	£65,000	£74,000

- 1.9 In terms of value for money the purchase of this module does have less than a 5 year pay back period compared with existing costs. Although 5 years payback period is greater than the Council would normally contemplate the continued use of the main system in perpetuity needs to be factored in.
- 1.10 This module will replace an old (green screen) system, which was pending a need for replacement, with a modern leading solution. This module also gives the Council staffing efficiency and mitigates certain risks. As this is a module of an existing system it can be managed by the Revenues and Benefits System Support team along with the main system. Currently the Business Rate system is managed by one post that has other responsibilities. This has given us difficulties at key times, for example new year billing.
- 1.11 It will also be necessary to free up staff resources within the Revenues and Benefits Service to implement the new module and in order to cover for this work it maybe necessary to employ temporary cover for approximately 5 months which would cost in the order of £7,400 (scale 4 post for 5 months). This would increase the pay back period to 5.4 years. It is also planned to devote ICT resources to undertake a data clean in the business rates system to the Council.

Legal Implications

The legal implications are contained within the report. This is an exemption from the Council's Contract Standing Orders for the reasons set out within the report.

Financial Implications

Financial details are outlined in the report. A request is being made for a sum of £65,000 to purchase a Business Rates Module within an existing system. An additional sum maybe required of £7,400 to employ temporary staff to cover staff whilst implementing the new module. These sums are being requested to be met from the General Fund from savings made in 2010/11.

Consultation on Reports to the Executive

N/A

Background Papers

- Background emails and letters from Capita

Simon Davey – Head of Finance
Chris Powell – Corporate Manager IT

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