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| Meeting: | Cabinet member finance and corporate services |
| Meeting date: | Monday, 2 July 2018 |
| Title of report: | Revenues and benefits system application |
| Report by: | Head of corporate finance |

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose and summary

To approve the continued maintenance of the Capita revenues and benefit IT system.

The revenues and benefits IT system records, processes and documents all relevant information in relation to the councils tax base, council tax income, business rate charges and housing benefit claimants.

The current contract to maintain the system expires on 31 March 2019, this report recommends the current provider be awarded a further five year contract to maintain the system post 1 April 2019, with an option to break at year three. The current provider is recommended because they are the only available current system maintenance provider.

Recommendation(s)

That:

- (a) Capita be awarded a contract for a further five year period, with an option to break at year 3, to 31 March 2024 under Regulation 32 of the Public Contract Regulations 2015 at an annual cost of £98k.**

Alternative options

1. To not to continue to maintain the IT system is not recommended. The system has a high volume of daily access and needs to be recording, maintaining, calculating and providing accurate immediate data which requires regular frequent IT updates.
2. To not maintain the current system and replace the IT system. This is not recommended due to the high level of cost and disruption this would cause. The current system meets the needs of the business and the continued maintenance cost is within the council's budget.

Key considerations

3. The revenues and benefits Academy IT system was implemented in 2004 following a competitive tender process. Since implementation the council has invested a significant amount of time and resource in ensuring the complex data the system processes is accurately presented.
4. There are two other system providers in the marketplace. A system change is not recommended due to the current system meeting the system requirements and the prohibitive indicative cost of migration, conversion and disruption. This hasn't been specifically costed however the original installation of Academy cost was in excess of £0.5m, officer and consultant time plus contract novation costs would be in addition to this and would take approximately one year to implement.
5. A freedom of information request was submitted to Herefordshire's comparator councils and the 48 responses confirmed that none had changed their revenues and benefit system in the last 5 years. The reasons being cost, disruption, and the current system providing the service required.
6. Maintenance of the system includes all software maintenance, compliance, online and digital modules. A five year period has been recommended to allow time to continue to constantly review the available options over the intervening period ahead of the next decision point arising.
7. The revenue and benefit service is provided by Hoople Ltd and going forward it is intended that the system used and its maintenance will be procured through Hoople Ltd following the required changes to the associated service level agreement if this is economically advantageous to the Council.
8. The five year period, with a break option at year 3, coincides with the timetable for housing benefit fulling migrating to universal credit. This would be the opportune time to revisit the system requirements and planning work will begin on this as the impact of universal credit full service continues to roll out.

Community impact

9. If the maintained Academy system is not available to council staff it would adversely affect services provided to the residents of Herefordshire, with the council not being able to fulfil its statutory obligations in council tax, business rates and housing benefits.
9. The recommended approach seeks to maintain the standard of service expected cost effectively, supporting achievement of the corporate plan priority to secure better services, quality of life and value for money.

Equality duty

10.

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
11. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

12. The annual software maintenance cost is £98k. This includes support, legislative driven updates, local scheme variations, online access and forms. This maintenance cost is within the council's budget.
13. The system ensures the councils correctly levies £123m of council tax and precept, £50m of business rate charges and the correct recording and awarding of £41m of housing benefit to claimants, each year. The system also maintains all associated reliefs, discounts and supplementary charges where applicable.
14. Hoople Limited operates the revenues and benefits system, the annual service level agreement cost to the council is £1.5m.
15. The council is expecting the number of houses and businesses to grow over the five year period therefore a stable system continues to be relied upon in correctly calculating and charging the associated income streams from this growth.

Legal implications

16. The council has duties under various pieces of legislation relating to the payment of benefits and it also has powers to raise revenues. The Academy system assists the council in carrying out both of these functions.
17. The council procured the Academy system in 2004 and since that date also has purchased a support and maintenance package specific to the Academy system from Capita.
18. This decision supports the continuation of a support and maintenance package for the Academy system for the period 1 April 2019 to 31 March 2024. The lifetime value of that contract is in the region of £490k and therefore requires to be let in accordance with the Public Contract Regulations 2015. However, the reality is that the support and maintenance can only be provided by the supplier of the Academy system.
19. Regulation 32 of the Public Contract Regulations 2015 allows contracting authorities in specific cases and circumstances to award public contracts by negotiated procedure without advertising the opportunity.
20. Regulation 32(2)(b)(ii) provides that the negotiated procedure without prior publication can be used where the services required can be supplied only by a particular economic operator and competition is absent for technical reasons.
21. On the basis that the Academy system requires specific technical support, this report evidences that the only supplier that can provide that support and maintenance is Capita; giving grounds to award a contract under Regulation 32(2)(b)(ii).
22. The council has a duty to secure best value in the delivery of all of its functions and services. As part of a commissioning cycle, the council must assess whether contracted services should be re-procured through a competitive tendering process. In this instance the report proposes that, taking account of the costs of moving to a different system and the service standards provided by the current contractor, continuing with the support and maintenance package with Capita, on the terms outlined in this report, does represent a best value solution for the council.

Risk management

23. The continued maintenance of the existing system will ensure that it runs as expected and minimises the risk of failure or error. Should the recommendation not be approved the risk increases significantly as the Academy system could become unreliable leading to the council potentially being unable to carry out some statutory and core financial functions.

Consultees

24. Political groups have been consulted with, no comments or objections have been received.

Appendices

None

Background papers

None identified