

To: Cabinet
Date: 9 September 2020
Report of: Head of Financial Services
Title of Report: Approval of contract award for a Revenues and Benefits system

Summary and recommendations	
Purpose of report:	To seek project approval and delegated authority for the Head of Financial Services to award a contract for the Supply of a Revenues and Benefits system
Key decision:	Yes
Cabinet Member:	Councillor Nigel Chapman, Portfolio holder for Customer Focussed Services, Councillor Ed Turner, Portfolio holder for Finance and Assets
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Consider the results of the tender exercise and give project approval to implement a new revenues and benefits ICT software package , which will enable the Council to deliver effective, efficient and modern revenues and benefits services for the benefit of the Council and its customers; 2. Delegate to the Head of Financial Services, authority to award a contract for the supply of a revenues and benefits system subject to agreement of appropriate terms to Civica UK Ltd; and 3. Recommend to Council to make a budget allocation of £735k within the Council’s capital programme for 2020-21 and note the savings accruing to the Council’s Medium Term Financial Plan. 	

Appendices
1. Table of Costs (exempt)
2. Risks associated with the project

Introduction and background

1. The Revenues and Benefits Service sits within Financial Services, and is used to administer the collection and recovery of Council Tax and Business Rates, payment of Housing Benefit and Council Tax Reduction, and collection of Housing Benefit overpayments.
2. The Council has a Revenues and Benefits software package, supplied by Capita, known as Academy. The contract with Capita has been in place for ten years and

will come to an end on 31st March 2021. Current spend is c£77k pa and the Council can purchase new/additional models that are priced separately from the annual licence costs. There are additional costs for using servers and Info@work scanning licence costs.

3. The Council has had a successful relationship with the supplier over this period, with regular account manager meetings, at least 2-3 times a year. The Council also attends User Group meetings, and is able to request developments paid for by those that contribute to a Development Fund, which the Council does.
4. The system is updated whenever there are legislation changes. Such changes are very often funded from Central Government who provide New Burdens Funding in the majority of cases.
5. This report sets out the potential for cost savings by upgrading to a modern ICT system that includes a number of well-developed automated processes that the Council would otherwise need to procure separately. Over time it is anticipated that there will be a reduction in annual support and maintenance costs, time savings and resource savings.

Result of the Procurement process

6. In order to test the market, the Council issued a Prior Information Notice (PIN) and invited the 3 suppliers that administer the required software to demonstrate their products during December 2019-January 2020.
7. A Business Case was prepared and approved by the Council's Development Board on 2nd March 2020. In essence the Business Case supporting the investment illustrated that customers/residents will benefit from more electronic service delivery. This includes allowing customers to apply for discounts and exemptions on-line, moving in and out notification automation with information dropping into the back office, more automation which allows them to see the outcome of a request in real time (Council Tax Reduction CTR) and faster than is currently possible. It also allows quicker resolution of queries. Staff will be able to work more efficiently, concentrating more on cases where automation is not possible, and deal with these more complex cases more quickly.
8. The Development Board agreed that the contract to replace the software package should be tendered using the Official Journal of the European Union (OJEU), rather than any Framework, because this procurement route enables a longer contract to be entered into (10 years plus an optional 2 years) which minimises the amount of potential disruption that changing systems more regularly would cause. It is also likely to result in a reduced annual cost.
9. Three suppliers responded to the PIN notice and the project team attended a demonstration of all three systems.
10. Two tenders were returned by the closing date of 26th May and these were subsequently evaluated by the team. Scoring of the bids was based on a Quality Score of 60%, and a Pricing Score of 40%.
11. Officers recommend approving the project and delegating authority to award a 10 year contract with an option to extend by 2 years to the Head of Financial Services.
12. Key reasons behind this recommendation are as follows:

- Cost savings are likely to be achieved, once the new software system is bedded in, additional functionality such as automation is utilised, and staff have had an opportunity to review and revise working practices;
 - Oxford City Council has experienced issues with the speed of the current Academy system. It is considered that a change of service provider will bring improved speeds of processing. If it does, it will mean less reliance on the current resilience contract, which in turn could achieve further savings of c£90k per annum;
 - All 3 systems can provide what the Council requires, however the recommended supplier's technology is more advanced in areas that interest the Council, such as process automation; and
 - There was no alternative option to the tender process, as the council is out of contract with the current supplier at the end of March 2021
 - The current supplier, Capita did not provide a bid.
13. The Council, as part of the tender process, did consider whether or not to move to a hosted solution, meaning that the ICT software and hardware is owned and managed by the ICT software provider. This is usually cloud based. The preferred supplier does not offer this solution, and the second bidder did provide costs. This would have added a further £632.5k to the total costs of their solution and was not felt to be a viable option.
14. Based upon the tender submissions received it is recommended that the contract is awarded to Civica UK Ltd.

Benefits of a new software system

15. The Revenues and Benefits Team is at the forefront of channel shift, and is currently piloting a process to automate benefit changes using robotics. It has also been keen to channel shift customers to more efficient and effective methods of contact. Purchasing a new software system that already has in built automated processing will free up staff time to input information, and reduce customer contact as wait times for responses will reduce significantly.
16. As part of the process redesign, the Revenues and Benefits Team intends to utilise a single view of debt management tool. This will allow the Council to move to a corporate debt management solution across numerous debts, giving a holistic view of a debtor's circumstances. If the Council moved to having its own enforcement agents, this solution could be utilised by them as well. It is anticipated that there could be further staff savings by moving to a corporate debt solution, which will be considered as part of the project.
17. Allowing customers to access forms 24/7 that automatically populate the back office system will also save on paper forms, scanning documents and will ensure all information required is captured at first point of contact. It is anticipated that with more use of automated forms, customers will feel more able to access services online, such as e-billing, setting up Direct Debits and reporting any changes.
18. Savings of £120k for Customer Services and Revenues and Benefits within the Council's Medium Term Financial Plan for 2021-22 have already been identified as

a direct result of having a more automated system alongside a revised Council Tax Reduction Scheme (CTRS) that requires less administration and reduces contact.

19. It is expected that, from 2022-23, due to the increased automation that the new system affords, additional staff savings can be made. A conservative estimate is that this could potentially save 4 x Grade 5 staff posts across both Revenues and Benefits and Customer Contact Teams, a saving of £100k per annum, as the need to speak to an advisor reduces.
20. Having a software system with digital/self-serve processing will also release the potential for future resource savings since migrating customers to cheaper channels would also realise financial benefits in the future. It would also increase capacity and deliver economies of scale at a time when all councils are facing the prospect of funding reductions from central government and managing the impact of the Covid-19 pandemic.
21. The supplier has specified server requirements. These are higher than what the council is currently paying. At present the system in use is very slow, and despite extensive investigations, neither the Council's own nor the Capita specialists have been able to deliver a solution. As the new servers on offer are of a high specification it is anticipated that the speed of processing will improve and will be a worthwhile investment.

22. Project Milestones

Cabinet approval to proceed	9 th September 2020
Supplier notification	10 th September 2020
Standstill period ends	21 st September 2020
Project award	22 nd September 2020
Project commencement and implementation	1 st October 2020 (tbc)
Go live	4 th May 2021 (tbc)

Financial implications

23. The table at Appendix 1 provides a summary of the costs and savings of the new system which includes one off, annual and ten year contract period costs. This is summarised in Table 1 below :

Table 1 : System costs			
	Year 1	Annual	10 Year contract
	£000's	£000's	£000's
Implementation	580	-	-
Contingency	155	-	-
Total	735	-	-
Annual running costs	-	115	1,055
Savings	-	(201)	(1,914)

Pay back	Year 4		
Simple rate of return (including contingency)	27%		
Simple rate of return (excluding contingency)	35%		

24. With a pay back of 4 years and a simple rate of return of between 27% and 35% the investment is financially viable. Funding could be vired from underspends elsewhere within the capital programme.

25. In Annexe 1, the annual revenue savings shown on the operation of the service, including ICT will be £201k. Over the life of the 10 year contract the savings will be £1.9m given that some of the savings will not be realised until Year 2 following implementation.

Legal Implications

26. The value of this contract over its lifetime is higher than the EU threshold for Goods and Services and the award of the contract therefore is governed by the Public Contract Regulations 2015. The award is also subject to the Council's Constitution including the Contract Rules, the Council's Financial Rules and the Scheme of Delegation.

Level of risk

27. The procurement of a Revenues and Benefits management system is a complex project and has many risks. The main business and services risks associated with the project are detailed in Appendix 2.

Equalities impact

28. An Equalities Impact Assessment is not deemed necessary for this project. As part of the tender process the specification covered the indication of a vulnerable person so that anyone looking at the account can immediately see any issues or support needed.

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Background Papers: None

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