

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE - 21 SEPTEMBER 2005

Report of Project Manager (Paul Harding)

ACCEPTANCE OF A TENDER FOR REVENUES AND BENEFITS SOFTWARE

This matter is the responsibility of Executive Councillor T Hall (Portfolio Holder for Resources)

EXECUTIVE SUMMARY

This report details the outcome of the procurement exercise undertaken to buy a new suite of Revenues & Benefits software to replace the present in-house systems.

The purpose of the report is to gain approval to accept the tender submitted by International Business Systems (Public Services) Ltd, and to proceed with the implementation of the proposed software solution at a capital cost to the Council of £358K.

Corporate Priorities: Delivery

1. BACKGROUND

- 1.1. The 2003 Revenues & Benefits Best Value Review identified the need to upgrade the existing suite of software, if we were to continue to provide efficient and responsive Revenues & Benefits services, and were to reduce the Council's exposure to risk in these areas of its business.
- 1.2. Currently a few key staff within the Council's IT section hold most of the knowledge regarding programming the in-house Revenues and Benefits software. This carries a significant risk for business continuity should they leave the Council's employment. The Council could transfer this risk by using software from an external provider.
- 1.3. Legislative changes prove labour-intensive for senior Revenues and Benefits staff. They are relied on to interpret the legislation, specify changes to the in-house software and are then responsible for testing those changes. This leaves the Council open to direct challenge and possibly compensation or subsidy claw back if the interpretation or programming is wrong. The Council could transfer this risk by using externally provided Revenues & Benefits software.
- 1.4. The manual intervention needed to complete the Benefits subsidy claim is extensive and there is only one officer who knows fully how to manipulate the system and reports to complete it accurately. If that officer were to leave or go on long-term sick this would pose serious financial risks for the Council. Our

Benefits subsidy claim for 2004/2005 was more than £22m. Software from an external provider, which makes calculating subsidy far more straightforward and offers the ability for a greater number of staff to be able to complete the return, would substantially mitigate this risk.

- 1.5. Currently all software training for new Revenues and Benefits staff falls on a few Senior Revenues and Benefits officers and takes those staff away from their other daily responsibilities, often for significant periods of time. If software from an external supplier were used, the opportunity would exist to have training delivered externally. This could be by the software supplier themselves or one of several training companies that deliver training in the use of all the commercially available Revenues and Benefits software.
- 1.6. In December 2004 the Revenues & Benefits units presented a Project Approval Report (PAR) seeking agreement to pursue a project to replace the existing suite of Revenues and Benefits software.
- 1.7. The viability of the project rested on the Benefits Unit gaining Performance Standards Funding from the DWP. This funding would help meet the cost of buying new Benefits software, document management software, the associated hardware as well as data conversion and implementation consultancy.
- 1.8. The DWP set up the Performance Standards Fund (PSF) to help Local Authorities tackle barriers to improved Benefits performance. So far the DWP have awarded over £150m to Local Authorities. In return for this investment, the DWP expect authorities to improve their performance by at least 10% across each of the key Benefits performance standards.
- 1.9. PSF grants require the Local Authority to match fund one-third of the costs of new Benefits software, hardware and consultancy. The grants do not extend to Revenues software or consultancy, which the Council would have to fund in full. An *estimate* of £260,000 was given within the PAR as the Council's likely capital contribution toward this project. This assumed the Benefits elements of this project would cost around £600k and a further £60k for the Revenues elements.
- 1.10. In February 2005 the Council's Benefits Unit were successful in attracting £400k Performance Standards Funding from the DWP. Again, this was on the basis that we envisaged the Benefits element of the project would cost £600k of which the Council would have to meet 1/3.
- 1.11. The DWP funding was conditional on the Council implementing the new software by 31st March 2006. This key date was at the forefront of our project planning.
- 1.12. The DWP will pay the grant in three stages as follows;
 - (a) Stage 1 – The DWP evaluated projects at pre-tender stage. They did this at a high level, as inevitably most of the details were not known. At that stage the DWP released 20% of the funding awarded. This amounted to £80k. This allowed us to begin the project.

- (b) Stage 2 - The Performance Standards Panel will reconsider the bid based on a progress report at the end of the selection process. If everything is still going to plan, they will release a further 40% of funding (£160k). Progress reports are considered monthly by the DWP although we understand there is presently a backlog of such reports at the DWP that are awaiting consideration.
- (c) Stage 3 - The final stage will be an evaluation of the implementation, and assessment of the detailed costs of the project. The DWP will release the remaining 40% (£160k) of the award after this stage.

2. PROCUREMENT PROCESS

- 2.1. Due to the value of the procurement, it was necessary to source the software by one of the routes specified by the European Union.
- 2.2. Envisaging a manageable number of tenders, for what are very specialised areas of work, the 'open' route was followed.
- 2.3. Invitation to Tenders were requested by 22 organisations. 2 tenders were received by the closing date of 25th July 2005. One of these was from International Business Systems Ltd (Public Services Ltd) (IBS) the other was from another well-known and experienced supplier of Revenues & Benefits software.
- 2.4. These tenders were evaluated on the basis of the most economically advantageous to the Council, rather than simply on the basis of lowest price.
- 2.5. A core team of officers including; the Benefits Unit Manager, the Revenues Unit Manager, the Project Manager for this procurement and the Principal Benefits Officer performed the evaluation with invaluable input from the Council's audit and IT staff.
- 2.6. The evaluation team took up references at sites using software from these suppliers, attended supplier demonstrations and visited other Council's to see the proposed software in operation
- 2.7. The evaluation matrix is shown below;

	IBS	Tender B
POINTS AWARDED		
For price – (over 5 years)	417	294
Written Proposal		
Supplier Demonstration		
Site Visits		

3. CONCLUSION

- 3.1. After following a methodical and objective approach to evaluation, it was the unanimous decision of the evaluation team and project board, the proposal put forward by IBS represented the best value for money in terms of price and in meeting our business needs. Of the future system users, who saw both of the systems in operation, all favoured the system offered by IBS as the most logical and user-friendly.
- 3.2. There are 65 Local Authorities using the latest Windows version of IBS's Revenues and Benefits system that is proposed for Taunton Deane Borough Council. These Councils are spread throughout the Country and, within the West of England, include two Authorities in Devon, two in Gloucester and one in Dorset.
- 3.3. The proposed solution puts forwards several major business Benefits over the present in-house system which include:
 - i. Providing an efficient and commercially attractive platform, which will better support the strategic positioning of the Revenues & Benefits Units within the Joint Venture Partnership than the present in-house system.
 - ii. Substantially reduces the Councils exposure to risk, as outlined in 1.2 to 1.4.
 - iii. Will greatly help improve our collection of overpaid Housing Benefit. Historically an area of weakness. This has implications for the Council gaining financial rewards from the DWP.
 - iv. Will improve customer access to our services through the availability of an increased range of electronic services, including on-line account look-upon and form completion.
 - v. Will increase access to high-quality management information to help managers ensure the most efficient use of resources and to aid them in completing an ever-more-complex range of statistical returns.
 - vi. Automation of several fully, or substantially, manual processes, improving efficiency and reducing error. Reducing errors made by Benefits staff has direct implications for the amount of Benefit subsidy the Council receives. Of course this also has customer service implications.
- 3.4. The full capital cost of this project, including the purchase of new hardware with which to support the new software and the cost of the Council's staff who will be involved in the implementation, is projected to be £758K.
- 3.5. The Council will be required to make a financial contribution toward this cost of £358K. The remaining £400K will be met by the DWP.
- 3.6. The Council's contribution is £98K higher than the estimate contained within PAR of December 2004. This is substantially due to the Revenues elements of the procurement being higher than was anticipated. With a competitive tendering exercise it is of course very difficult to predict the value of the tenders that will be submitted. This is something that is subject to market forces and will be influenced by many factors such as the number of system users, the timescale for the implementation as well as the software system presently used

by the Council. No two authorities are identical and consequently, when attempting to estimate the eventual cost of this project, there were few directly comparable procurements on which it could be based.

- 3.7. The project board fully realises the financial pressures under which the Council is operating. It recognises the need to fully explore ways of meeting the capital shortfall from within existing budgets before considering asking Full Council to agree to a supplementary estimate from General Fund reserves.
- 3.8. I am pleased to report that the full £98K has been identified within the 2005/2006 budget for the Benefits Unit and from surplus reserves and provisions. A significant portion of this sum relates to two current staff vacancies within the Benefits unit, which will not be filled should implementation of the proposed new system take place.
- 3.9. Using an external system also gives rise to additional revenues expenditure in the form of an annual maintenance charge. This charge ensures the software is kept up-to-date with legislative changes and other areas of added functionality can be developed. It is not presently clear how the Revenues and Benefits units will fund the year 1 charge from within existing resources; this is currently being examined. However, from year 2 onwards this will be funded from within existing staff resources.
- 3.10. Obtaining such a leading-edge solution, at a direct capital cost to the Council of less than 50% of the total cost of its implementation, represents real value for money to the Council Taxpayers of Taunton Deane.

4. RECOMMENDATIONS

The Executive is requested to: -

- 4.1. Accept the tender from IBS to supply this software and to maintain it for a 5-year period, subject to contract.
- 4.2. Authorise the capital expenditure detailed above.

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Background Papers:

General Fund Capital Estimates- Executive Feb 2005