

Report to the Cabinet

Report reference: C/061/2006-07.
Date of meeting: 22 January 2007.



**Portfolio: Finance, Performance Management and Corporate Support Services.
Customer Services, Media, Communications and ICT.**

Subject: Replacement of the Local Taxation and Benefits ICT System.

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Recommendations:

- (1) That, subject to contract negotiations, the tender from Computacenter UK Ltd in the sum of £546,320 (whole life cost over six years) for the procurement and implementation of a replacement Local Taxation and Benefits ICT system be accepted;**
- (2) That delegated authority be granted to the Head of Finance to undertake contract negotiations with Computacenter UK Ltd;**
- (3) That, in order to supplement the existing IEG grant funding, a capital growth bid in the sum of £69,000 for 2007/08 be made;**
- (4) That, for the appointment of four clerical support officers (Grade 5) on 18-month fixed term contracts, the following revenue DDF growth bids be made:**
 - (a) £80,000 for 2007/08; and**
 - (b) £40,000 for 2008/09; and**
- (5) That, for the provision of maintenance and remote support, the following revenue CSB growth bids be made:**
 - (a) £16,050 for 2007/08;**
 - (b) £15,929 for 2008/09; and**
 - (c) £3,547 for 2009/10.**

Report:

1. On 4 September 2006 Cabinet approved that, in accordance with the Corporate ICT Strategy, the ICT system for Local Taxation and Benefits (Orbis) be replaced, and that quotations be obtained using the Catalist system managed by the Office of Government Commerce. The indicative contract start date is 1 April 2007. The implementation timetable is for the National Non-Domestic Rates system to be live by 14 January 2008 and the Council Tax and Benefits systems to be live by 1 August 2008. The current Orbis licence expires on 30 June 2008 and the final go-live date requires a contract extension. The contract extension for Orbis is over 3 months and this cost is discussed later.

2. Officers sought expressions of interest from the relevant companies listed within Catalist and received responses from 5 companies. These companies were:

- Computacenter (UK) Ltd;
- Dell Corporation Ltd;
- Northgate Information Solutions UK Limited;
- PC World Business; and
- Probrand Ltd (The IT Index).

3. These companies were subsequently invited to tender for the contract and the deadline for the submission of these tenders was 20 October 2006. The Council received completed tenders from:

- Computacenter (UK) Ltd;
- Northgate Information Solutions UK Limited; and
- PC World Business.

4. The Council received no reasons for Dell Corporation Ltd and Probrand Ltd not responding to the invitation of tender. However, it is likely that these companies were unable to meet the requirements of the Council's specification. However, the three principal suppliers of systems to the Local Taxation and Benefits systems have submitted tenders to the Council.

5. Such is the nature of the procurement process through Catalist that if a product does not have a direct listing on the Catalist system then the product is sourced through another company that does have such a listing. The three major IT companies supplying a Local Taxation and Benefits system are Capita, Northgate Information Systems and IBS. Northgate Information Systems has a direct listing and the Capita and IBS systems are being supplied through Computacenter (UK) Ltd and PC World Business respectively. The actual product names will be referred to in the report.

Evaluation Process:

6. An evaluation of the submitted tenders was carried out using the following criteria, in accordance with the Catalist procurement guidance, and more details of the evaluation are contained in Appendix 1 to this report. The percentages shown reflect the weighting applied to each criterion:

- (a) Whole Life Cost (50%);
- (b) Quality of the Goods and Associated Services including 'Fitness for Purpose'. This is essentially measuring the system against the functional specification (30%); and
- (c) Delivery (including Capacity and Capability) incorporating the technical IT evaluation and conversion processes (20%).

7. The scoring of the criteria reflects that cost is the principal issue but that the system must enable the Council to provide a quality service to customers. In addition, the ability of the company to provide a sound technical product and, critically, to satisfactorily convert the Council's data onto the new system are factors which, if not given due consideration, can lead to significant cost and quality issues in the future.

8. The financial costs of the three systems have been compared. This considered both the tender price, and an adjusted figure that represents the total cost of ownership. This takes on board any additional support issues relating to a particular system and any in-house costs identified with conversion. The detailed breakdown is shown in Annexes 1-3 of Appendix 1, with a summary shown below. The figures represent the complete costs of the systems over the six-year life of the contract:

	Capita	Northgate	IBS
	£	£	£
Whole Life Cost	546,320	543,441	726,501

9. The costs show that Northgate is marginally the cheaper system than Capita over the life of the contract, with both systems being significantly cheaper than IBS.

10. The 'Quality of the Goods and Associated Services' element of the evaluation was undertaken by measuring the system against the Council's specification and method statements within the tender documents. The aim of this part of the evaluation is to assess how well each system undertakes the processes and transactions required to provide an effective and efficient Local Taxation and Benefits service. The evaluation was undertaken by assessing the actual tender responses and by visiting two Councils using each system. The results of the scoring are provided below:

	Capita	Northgate	IBS
Quality (Maximum 160)	135	91	127

11. The 'Quality' assessment reflects the officers' view within Local Taxation and Benefits that Capita will provide the best overall quality product for the Council, just ahead of the IBS product. The Northgate system was the least preferred system for both Local Taxation and Benefits, particularly with regard to account administration within Local Taxation and Benefit verification and letters.

12. The 'Delivery' element of the evaluation incorporates the Technical IT appraisal of the system infrastructure, the conversion processes and its potential for future development using electronic methods of delivery. The results of the 'Delivery' evaluation are shown below:

	Capita	Northgate	IBS
Delivery (Maximum 100)	84	84	77

13. The 'Delivery' evaluation showed that all systems deliver a good solution. As Northgate is an Oracle based system it has advantages with regard to the existing Council IT position, yet was not as strong as Capita with regard to system security and data conversion. IBS, whilst strong in the area of document printing was weaker in the area of data conversion and electronic service delivery.

14. The final evaluation position incorporates the weightings for the criteria and is shown below:

	Capita	Northgate	IBS
Whole Life Cost (£) (50%)	546,320 49.5%	543,441 50%	726,501 16.3%
Quality (Maximum 160) (30%)	135 25.3%	91 17.1%	127 23.8%
Delivery (Maximum 100) (20%)	84 16.8%	84 16.8%	77 15.4%
Total	91.6%	83.9%	55.5%

15. The result shows that Capita is clearly the preferred solution from the evaluation process.

Tender Evaluation Conclusions:

16. The following points bring together the conclusions from the tender evaluation process. There are issues that were not directly involved within the initial evaluation criteria but need to be considered as part of the decision-making process so the 'best fit' solution for the Council can be identified.

17. Capita:

- In the Council's evaluation criteria it scored the highest;
- The Capita solution was the preferred solution in terms of quality for both Local Taxation and Benefits;
- The system was equal highest in terms of the technical evaluation; and
- Capita is the only company with experience of converting data from the Council's current system making it the option with the lowest risk;

18. Northgate:

- Northgate was marginally the cheapest option;
- It was the lowest in terms of quality for both Local Taxation and Benefits with some particular concerns over validation and its integrity;
- It was equal highest in terms of the technical evaluation;
- The solution proposed for implementation is not that which was included in the tender document and would require a further upgrade process soon after; and
- It had the lowest user satisfaction score in SOCITM's survey.

19. IBS:

- It was the most expensive option;
- It was the weakest option for supporting electronic and transformational government;
- There are some interface concerns, particularly with regard to Benefits;
- Staff found it user-friendly; and
- It had the highest overall score in SOCITM's user satisfaction survey.

Staffing:

20. A critical point to end on is that a successful conversion is vital in minimising risks to collection rates and benefit claims and determinations. Whilst the supplier takes an element of responsibility for the implementation so must the Council. The Council's responsibility is in ensuring that it devotes sufficient and appropriate resource to the project. In analysing the successes and failures of authorities in converting systems, the level of resource devoted to the process has often been the deciding factor. It is therefore clear that a successful implementation requires significant staff resource input from both Local Taxation and Benefits. The existing staff in these areas will provide this to ensure the necessary succession of skills once the systems have gone live. In order to minimise the effects of the conversion process it is proposed that 4 clerical support officers be employed on 18-month fixed term contracts to undertake Local Taxation and Benefit administrative work. An allowance of £120,000 has been built into the Whole Life Cost evaluations of all the tenders to fund these temporary posts.

Cost of bespoking the Council's current system:

21. At the Cabinet meeting on the 4 September 2006, Members asked that this report include the cost of bespoking the Council's current system. Following that request the Head of Finance met with the Anite's Business Development Director to discuss possible ways forward. Anite no longer market the Orbis system as they have developed an alternative product called Pericles. In view of this and the fact that Epping is the only English authority using Orbis, Anite are keen for the Council to migrate off of Orbis as soon as possible. The level of support and development required for revenues and benefits mean that Anite do not view Orbis as an economically viable proposition. However, Anite have provided assurances that they will continue to support Orbis beyond the expiry date of their current contract with

the Council to ensure a smooth migration. The Council has a number of other contracts with Anite and there is a common desire for an ongoing constructive relationship.

Budgetary Provision:

22. The capital budget required for the system purchase and implementation is £308,687, which would be needed in 2007/08. The current Capital Programme has allocated £240,000 of IEG grant money to be spent during 2006/07. Therefore, the IEG funding needs to be re-scheduled to 2007/08 and an additional capital estimate is needed for the balance of £69,000.

23. The main requirement for DDF funding is to cover the cost of staff on short-term contracts necessary to support the data conversion and implementation stage of the project. To enable the recruitment of suitable staff £80,000 is required in 2007/08 and £40,000 in 2008/09. An additional budget of £20,000 is needed in 2008/09 to extend the licence for Orbits for three months beyond the contract end date of 30 June 2008. This is to allow adequate time for the conversion and implementation process and, in line with best practice, a period of parallel running.

24. The growth items in CSB expenditure in 2007/08 are £4,050 for maintenance and £12,000 for remote support, giving a total of £16,050. Further CSB growth of £15,929 and £3,547 will be needed in 2008/09 and 2009/10 respectively as maintenance charges will increase as the system goes live.

Statement in Support of Recommended Action:

25. Computacenter (Capita) is the preferred option and is supported by the results of the tender evaluation process. To achieve a successful conversion of data it is essential that sufficient resource is provided for the project and the temporary appointment of the additional clerical posts will achieve this.

Other Options for Action:

26. To select one of the two alternative tenders, although to do so would contradict the detailed evaluation process.

27. To not proceed with the purchase of a replacement system at this time. This is not recommended as being the only English authority using Orbis places the Council in a very vulnerable position. If the Council decided not to replace Orbis it would be left with a system that may no longer be supported by the supplier and so the Council would be unable to deal with the frequent changes to benefits and local taxation legislation. To not replace the system would also be against the Corporate ICT Strategy and would prevent the achievement of priority outcomes required from e-government and now t-government initiatives.

Consultation Undertaken:

28. Other Councils using each of the systems have been consulted as two site visits were made for each system to examine how they worked in practice. The Head of ICT and the ICT Business System Group have also been consulted.

Resource implications:

Budget: £240,000 capital expenditure already allocated from IEG grant funding, an additional £69,000 required. Additional DDF expenditure of £120,000 for 2007/08 & 2008/09. Additional CSB expenditure of £35,526 for the period 2007/08 – 2009/10.

Personnel: Recommended action requires an additional four temporary (18 month) clerical support officers.

Land: Nil.

Community Plan/BVPP reference: BV9 - The percentage of council tax collected by the authority. BV10 - The percentage of non-domestic rates collected by the authority. BV78a - The average processing time for new benefit claims. BV78b - The average processing time for changes of circumstance to benefit claims. BV79a - The accuracy of processing benefit claims.

Relevant statutory powers: Local Government Finance Acts 1988 and 1992. Social Security Administration Act 1992.

Background papers: Tender submissions and tender evaluation reports.

Environmental/Human Rights Act/Crime and Disorder Act Implications: None.

Key Decision reference (if required): N/A.

Appendix 1 Tender Evaluation

This appendix provides a more detailed analysis of the findings from the tender evaluation process. It includes findings which do not directly correlate with the evaluation criteria used but should form part of the overall decision-making process for the 'best-fit' solution for the Council. This part of the report will initially provide an overview of each system and a summary of the tender proposals. Following this will be the findings from each of the criteria used in the tender evaluation.

A Tender Submission and Customer Satisfaction

The following information provides a brief appraisal of the tender submissions.

1 Computacenter (UK) Ltd (Capita)

- 1.1 The Capita product, which is supplied through Catalist by Computacenter, is used by over 130 Councils in the country. Capita Software Services is part of the Capita Group Plc, now a FTSE 100 company.
- 1.2 The Capita product offers the core functionality to enable the day-to-day processing for Local Taxation and Benefits. Whilst the core applications are not web-enabled there are, as with all the products in this tender process, Self Service modules which are fully web-enabled which allows Integral Public Internet Self Service facilities, a Web Services Module to enable integration to CRM (except IBS), an integral e-Billing package and facilities for mobile and wireless working. A significant advantage for Capita is that it is the only system which has successfully converted data from the Council's current system, Orbis. This is a considerable risk reduction factor for the project.
- 1.3 The tender documents supplied by Capita were of high quality and adequate detail. The subsequent tender clarification issues were dealt with extremely professionally and instilled a high degree of confidence amongst officers in the company.

2 Northgate Information Systems

- 2.1 The Northgate product is used by over 170 Local Authorities for Local Taxation and Benefits. Northgate Information Systems itself is a FTSE 250 company.
- 2.2 The Northgate tender provided was very difficult to evaluate because of the lack of clarity provided. The actual tender documents refer to Version 6 of their product which is a web-enabled version. However, during the tender process it was established that it was the current Version 5 that was to be provided with a free upgrade to Version 6 in the future. All specification responses referred to Version 6 which the Council would not initially be receiving. The Council was essentially evaluating a product that does not exist in an operational environment yet. There is also the concern that if Version 5 were implemented with all the disruption any conversion brings, there would soon after be a migration to Version 6, which would mean further disruption.
- 2.3 In addition, the level of detail provided in the Northgate tender was disappointing and subsequent responses that were received to the tender clarification issues sought by the Council highlighted inconsistencies with the original tender.
- 2.4 The principal advantage that the Northgate system has is that it is the only product of the three tenderers that is based on an Oracle database, which is the principal database use by the Council and consequently has benefits in terms of internal support.

3 PC World Business (IBS)

- 3.1 The IBS product, supplied through Catalist by PC World Business, is used by 70 Local Authorities for Local Taxation and Benefits. As a company it is smaller than the two other tenderers and specialises in the Local Taxation, Benefits and Housing market.
- 3.2 The IBS tender, unfortunately contained inaccuracies and inconsistencies, which again caused evaluation difficulties, and did not reflect well on the quality of the submission.
- 3.3 However, IBS as a pure end-user product was popular with staff although other weaknesses were identified and are discussed later.

4 Customer Satisfaction

- 4.1 As part of the evaluation process officers undertook a benchmarking exercise using SOCITM's latest survey of Local Authorities and their satisfaction with the IT systems and suppliers they were using. The indices are calculated on scale 1 (poor) to 15 (excellent). The combined results are shown below for the Council Tax, NNDR and Benefits applications:

	Supplier Performance	Product Functionality	Product Reliability	Total (out of 45)
IBS	9.8	11.4	11.7	32.9
Capita	10.2	11.4	11.0	32.6
Northgate	9.2	10.7	10.8	30.7

- 4.2 The results of this exercise show that Northgate was lowest across all three criteria and that was true for all three applications. IBS came out marginally higher than Capita due to a higher score for reliability.

B Whole Life Cost

- 1 The breakdown for the Whole Life Cost of each system is shown in Annexes 1a-1c. All prices that are quoted have not been adjusted for RPI increases. Each of the tenders has been adjusted to reflect the true cost to the Council of running each system and meeting the Council's specification. The tenders varied widely in what was included in the base price and a straight comparison between these costs was of little use, as some of the items listed as additional modules in some, including critical interfaces and electronic service delivery items, were standard items in others. Officers have spent considerable time pulling together the costings to provide a comparable price for the Council's required specification.
- 2 The principal difference between the Northgate tender and that of Capita and IBS, is that additional Remote Support is required to support the databases for Capita and IBS. This is because Northgate operates on an Oracle database, which the Council has the skill set and resource internally to support and does so across a number of applications, whereas Capita and IBS use Ingres and Progress respectively. Both these latter databases are not supported internally and it would not be cost-effective to do so for one application. The solution to this is to buy in the support from the providers and this support has been quoted for by Capita and IBS at a cost of £12,000 and £26,250 respectively per annum.
- 3 In addition, to minimise the disruption to the service it is proposed that 4 officers (Grade 5) are employed on 18-month fixed term contracts to undertake Local Taxation and Benefit administration work.

- 4 The schedules show that Northgate Information Systems is the cheapest option, closely followed by Capita, with IBS the most expensive option.

C Quality of the Goods and Associated Services

In the evaluation of the 'Quality' element of the process the aim was to assess how well each system would fulfil the specification to meet the day-to-day business operation of the Local Taxation and Benefits Divisions. The evaluation was carried out by an analysis of the response within the tender documents to the specification and by carrying out visits to two Councils within Essex using each system. The results of this aspect of the evaluation are shown below. In this evaluation Capita scored the highest, with IBS a close second and Northgate a distant third.

1 Capita

1.1 Local Taxation

The Capita system was the most popular with the Local Taxation section. Officers found it clear and easy to use. There were also examples of clear processing efficiencies that could be obtained. There are some concerns over the printing capabilities of the system and this was identified as an issue at the site visits. On the site visits, the Council's were using almost all aspects of the system to their potential and commented on how the system had enabled them to achieve process and collection gains. The system offered flexibility in its process that will help the system to fit with the Council's process and to accommodate any business process review in the future.

1.2 Benefits

The Capita system was also evaluated as the preferred option for the Benefits Division, although there are more concerns than with Local Taxation. This is primarily because it is not as user-friendly as the Local Taxation system and the Management Information which is not as good as the current Benefits system, although the latter point applies across all three systems in this tender process. However, as an all-round package the Benefits Division assessed the Capita product as the safest system to change to.

2 IBS

2.1 Local Taxation

IBS was the second most popular system with Local taxation staff and was relatively easy to use. It was however not as navigable as Capita which meant processing times would probably be longer with some transactions. In terms of its functionality the system was sound but it was also not as good as Capita in processes such as cash allocation and would require more manual intervention in handling accounts. In terms of its printing and documentation the system was the best but in terms of its overall performance it was deemed not quite as strong as Capita.

2.2 Benefits

The IBS system was the user-friendliest for staff and had advantages in the general processing of claims. There were however particular concerns over subsidy reconciliation and that this would involve a manual rather than automated process. In addition, there is a bigger concern with how IBS interfaces with other systems. The evaluation process informed officers this was an issue. This is an important aspect to consider because the Benefits system does not operate in isolation and for the whole

Benefits process to operate correctly it requires good interfaces to other products within the Council such as creditors and the document management system. This was the primary concern which led officers to believe Capita was a safer option than IBS.

3 Northgate

3.1 Local Taxation

The Northgate system was the least popular system with the Local Taxation Division. A major concern was that there were many areas within the system where audit trails and validation checks were weak which raised doubts over the integrity of the system. There is an acceptance that with any new system a review of business processes needs to be undertaken to maximise its benefits. What concerned officers was that that aspects of the system would require manual checks and processes to be brought back into the office, the opposite direction to what is being attempted. It was also felt that some transactions would take longer than currently which would again lead to inefficiencies.

3.2 Benefits

The Northgate system was also the least popular system with the Benefits Division. In common with the Local Taxation system, the verification side of the system was particularly weak. Of great concern was the Benefit notification letters which is a major aspect of the interface with Benefit claimants. It was identified as a significant issue with the Northgate users. There had also been a large problem with this year's Benefit Subsidy claim, which the Northgate sites complained that the company were not quick enough to respond to.

D Delivery (including Capacity and Capability)

The systems were evaluated under this criterion as to how at a technical level the functionality required is delivered to the end user. The systems were evaluated on the basis of their underlying infrastructure, system administration, how well they interface overall with the other systems in the Council, their conversion and implementation methodology and how well they support the requirements for electronic and transformational government.

1 Infrastructure

All three systems run on Windows 2003 servers and Citrix metaframe which are Council standards. The Capita solution is based on the Ingres database which is open source, but is not the database the Council primarily supports. Consequently, there would be a need to acquire external support for database management as part of this implementation. This external support would also be required for IBS which uses the Progress database. The cost of this external support has been included in the prices for Capita and IBS. Northgate is based on the Council's preferred database, Oracle. Oracle is a mainstream database which makes Northgate the best product in terms of its infrastructure.

2 System Administration

This area in terms of the evaluation covers document printing, report writing, batch scheduling and system security. IBS was the best product for document printing but with Capita this is a concern and a third party product is required to produce documents in a customer-friendly style. The cost of this software has been included in the application cost for Capita. In terms of report writing, Northgate was considered the best as it uses Business Objects, which is the Council standard, and the cost of

these licences are included in the tender price. Both IBS and Capita use Hummingbird as their primary reporting tool although Capita will provide the universes to use with Business Objects. In terms of batch scheduling Capita and IBS were equally good but Northgate was considered poor. In terms of system security Capita was considered the best system due to its flexibility and ease of use but Northgate was again considered poor. The overall evaluation for System Administration saw IBS marginally ahead of Capita followed by Northgate.

3 Conversion

In this aspect Capita was a clear winner. It is the only one of the tenderers who has successfully converted data from the Council's current system, Orbis. As a consequence most of the data mapping work has already been undertaken although some modification would be required for Epping-specific items. The other two suppliers have no knowledge of converting Orbis. The conversion of data is a fundamental and critical part of the project. A poor conversion can lead to delays in the project and can lead to legacy problems for a number of years. From a risk management point of view Capita is the best product with regard to conversion.

4 Interfaces

All the systems have the core interfaces to the Council's existing systems, though it has not been possible to judge the quality of the interfaces other than the feedback from other authorities. There are some concerns about IBS interfacing with non-IBS systems.

5 Electronic/Transformational Government

In supporting the Council meeting its e-government and t-government objectives Capita and Northgate were equally good at achieving this. However, IBS did not score so well, particularly where supporting secure mobile working, which will be an important aspect of Benefit processing in the future. IBS was also not as far down the path in developing a solution for authentication to Government Connect. IBS also did not have schema available in XML format for links to the National Land and Property Gazetteer.

Pulling together all the stands of the technical evaluation the result was Capita and Northgate were equally good, followed by IBS.