

Extension to CAPITA Revenues and Benefits database contract - confirmation of decision taken under urgency powers (SO 35)

Strategy & Resources Committee Tuesday, 8 June 2021

Report of: Executive Head of Communities

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

In February 2020 the Council commenced on the implementation of Northgate Public Services' (NPS) Revenue and Benefits database to replace the existing CAPITA system. The main reason for this project was value for money, public to self-serve, process automation and reduced pressure on resourcing following the Customer First Programme.

Following a competitive process NPS was selected for its ability to automate and streamline processes and provide residents with high levels of service through its citizen view function.

A capital budget was approved by this Committee in January 2020. This budget is managed and monitored by a projects delivery manager.

This report supports the Council's priority of: Building a better Council and Supporting economic recovery in Tandridge

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Recommendation to Committee: That the decision taken under urgency powers to extend the CAPITA software licence be ratified.

Reason for recommendation: A decision to extend the contract was taken under urgency powers (standing order35) to prevent potential loss of revenue through the inability to submit an annual housing benefit subsidy claim, loss of income through council tax and non-domestic rates, reputational damage and loss of/ reduction in administration grants received from Department of Work and Pensions.

Introduction and background

- 1 Implementation of the NPS project is now over 12 months in motion and the project team, led by the project delivery manager includes specialists from Revenues and Benefits, IT and other areas of the business. The project team has overcome several challenges to get to its current position. It was first planned that the NPS system would be live by 1 March 2021. This was subsequently delayed to June 2021 due to concerns relating to the quality of data and restraints in meeting the project timeline.
- 2 The maintenance and support contract for the current CAPITA database was due to expire on 31 March 2021. It was always the intention of the project team to ensure that the new NPS database was launched prior to the CAPITA maintenance and support licence ending. However, due to slippage in the project timeline a revised go live date of June 2021 was agreed. This would have left the CAPITA system in operation without a valid maintenance and support licence. Following discussions with CAPITA, Officers were advised by CAPITA that a minimum 12-month extension to the licence was all that could be offered. It was therefore risk assessed that the CAPITA system would run without a licence for a two-month period throughout April and May. This risk was mitigated by the fact that annual billing and end of year processes would have been complete and was also based on the infrequent support need from CAPITA in previous years.
- 3 As the team approached the new go live date of June 2021, the work and time required to be spent on the project increased beyond what was reasonably practical. The demands of the project meant that Officers were faced with deciding between the prioritisation of project work and/or business as usual (BAU) tasks. Currently, there is already a substantial backlog of BAU work which is ever increasing. A decision to submit a business case to extend the CAPITA maintenance Licence and postpone go live was made.

4. On 22 March 2021 a business case was submitted to the Executive Leadership Team, proposing to delay the June 2021 go live date to October 2021. The business case was prepared by the specialist service manager and supported by the wider stakeholder and project teams. This business case highlighted the following:
 5. Any delay to the June 2021 go live date would mean a new maintenance and support contract with CAPITA to ensure support was available for the extended period of use of the system. Initial discussions indicated that this would cost in the region of £70,000 for a minimum 12 month contract plus a £25,000 support fee payable to Mole Valley District Council to host the platform or an in house resource.
 6. All data reconciliation work and training would have been required throughout April 21. This is when the Councils annual subsidy claim is submitted and the Housing Benefits team were set to receive more than 5000 pieces of work from customers due to their rents and financial circumstances changing ahead of the new financial year.
 7. Revenues and Benefits staff were under immense pressure to juggle the high demands of the project and carry out BAU tasks to the set standards. This was further impacted by the pandemic and the additional work it had generated for the teams, such as:
 - The assessment and administration of increased Council Tax Support
 - Increase in Housing Benefit Claims
 - Increase in Discretionary Housing Payment claims
 - Increase in Universal Credit Checks
 - The assessment and administration of Business Grants and the Additional Restrictions Grant scheme
 - Changes to the rate relief systems
 - Additional weekly Government data returns

Other options considered as part of the business case

9. The following considerations have been given to overcome the above challenges.
10. Overtime – Overtime for both Revenues and Benefits staff was granted in November 2020 to reduce the backlog of BAU work before migration in May. While the overtime has assisted in keeping numbers steady, it had minimal impact on the overall backlog. This is due to Officers currently working 12 to 13-hour days on the project and therefore not having the capacity to work additional hours. It was apparent that the volume of both BAU and project work was starting to fray relationships in both the team and wider project team. It was therefore considered not to be a reasonable mitigation.

11. Additional resource – Additional resource has been considered in a variety of forms. Initial consideration was given to recruiting a temporary member of staff to assist with the day to day tasks of assessment and processing of applications. For this to be viable, a contractor would require knowledge on the current CAPITA system and be a competent assessor. Due to the time of year and the demand for such experience, costs were upwards of £35 per hour. It was also considered that it would take approximately four to six weeks to recruit and begin to see the benefits. Any new member of the team, whether a temporary member of staff or permanent, would require training and work checking in the form of management checks. This would in turn further reduce the capacity of specialists working on the project. It was therefore considered not to be a viable mitigation.
12. Consideration was then given to recruiting a temporary member of staff to undertake the project's data checking and reconciliation work. Having considered this resource it was believed that again, the contractor would need some experience of the current CAPITA system and would require training. Concerns were also raised by the team that a contractor carrying out this task may not be as thorough as permanent members of the team as they would not be using the end product. After checking with several agencies cost for this experience and knowledge of the CAPITA system were still likely to cost in the region of £20 - £25 per hour. It was therefore considered not to be a viable mitigation.
13. A discussion has recently taken place with Northgate's own processing team. This team is separate from the NPS project team and carry out assessments for both revenues and benefits for several large Local Authorities using CAPITA. Initial discussions took place in March 2021, however due to the time of year and additional workload due to the pandemic, support cannot be provided until June 2021.
14. Delay the implementation of NDR system – Consideration was given to delaying the Non-Domestic Rates database until all COVID related business grants have closed. It has been confirmed that the final round of grants (Restart Grants) commencing in April 2021 will need to be closed and paid by 31 July 2021. Our current process is to administer these grants via the CAPITA /ACADEMY system in the form of refunds and reliefs. This is a process that has been in place since the start of the pandemic and was recently audited by our internal auditors. The outcome of the audit has been confirmed as Reasonable - There is a generally sound system of governance, risk management and control in place.
15. Weekly data returns are required to be sent to BEIS with regular system reconciliation required. NPS advised that grants can continue to be administered in CAPITA until Go live, at which point data can be transferred into the new system. This was considered by the team but there was real concern that the ability to conduct fraud and eligibility checks on applicants would have been lost due to insufficient historical data being available in the new system. It was therefore considered not to be a viable mitigation.

Risks identified within the business case

16. Loss of income due to inability to submit Subsidy claim – Each year a subsidy claim is submitted to DWP, this is for the sum of approximately £13m. There was a risk that without fully reconciled data the annual claim would not have been accurate at the time of submitting. The subsidy claim is audited each year and has been unchallenged for several years. The inability to submit an accurate subsidy claim is a major risk and could potentially result in a significant loss of income to the Council.

17. Loss of income due to Local Authority error – This again ties into the annual subsidy return. Delay in processing outstanding work will result in local authority errors within the claim. A local authority error is often caused by inaccurate assessment of a claim or late processing. Each subsidy cell has set thresholds, each time a threshold is met it equates to a loss in subsidy the Council can recover. If the top threshold is met it will mean losing all the subsidy from that cell. At the time of presenting the business case the team were close to hitting the first threshold which would have resulted in a 10% reduction in the subsidy able to be recovered. In monetary terms, this would have generated a loss of approximately £200,000. The risk is mitigated by assessing more claims more accurately.

18. Financial penalties due to inability to process Business Grants – Due to the pandemic, the Government announced several grant schemes to support local businesses. These schemes started in April 2020 and are confirmed to end in July 2021. There was a risk that grants may not be able to be administered and paid within Government timeframes or within the boundaries of the guidance, if the decision was made to stand by the June 2021 date. An additional concern was the inability to accurately check the eligibility of applicants, increasing the risk of fraud. Any grants paid to fraudulent businesses would not be covered by the Government and the cost would need to be met instead by the Council.

19. Reduction in administration Grants – Each year the Council receives a net admin grant from the DWP to the sum of approximately £160,000. This grant is to cover all costs associated with the assessment and administration of Housing Benefit and Council Tax Reduction applications, it also supports the administration of the Discretionary Housing Payment fund. Failure to assess these applications within the national targets may have resulted in a reduction of administration and new burdens grants in future years. It is also likely that a review would have been undertaken by the DWP into the Councils processing and management of applications. These reviews are known to be extremely time consuming and is a task that the team do not have the desire or capacity to undertake. Any reduction in administration grant will be decided because of the DWP review.

20. Prioritisation of project over Business as usual – Prioritising the project at the time would have adversely affected the ability to assess and administer Housing Benefit applications. If this were to happen, there would have been significant impact on the public who will be waiting for their Housing Benefit payments, increasing their risk of eviction by their landlord. This was deemed an unnecessary risk given the financial hardship claimants find themselves in.
21. Reputational damage / bad press – At a time when so many residents and business owners in the district are struggling financially, they should be able to rely on the proactive work of the Council. Any delay in payment of benefits or business grants will inevitably result in bad press. Revenues and Benefits staff have worked tirelessly to ensure that financial support is offered to those most in need.
22. Staff sickness and absence – Due to the demands of the project and BAU, staff were beginning to struggle with the workload. As the project approaches its final stages, staff in all areas of the project team were working excessive hours and had a significantly reduced work-life balance. This is evident from discussion in and around the team, there was a real risk that staff were becoming so overwhelmed by the volume of work it was having a detrimental impact on their welfare.

Additional costs identified

23. Additional costs of approximately £95,000 would have incurred due to a £70,000 annual extension of the CAPITA Licence and £25,000 in support fees.
24. After negotiation with CAPITA a revised fee of £49,000 was presented to ensure system maintenance until 30 September 2021. This has again been reduced to £42,000 following further negotiation.
25. In addition to this the £25,000 support fee has been reduced to £7,000 which can be funded from within the 2021/22 IT budget.
26. Due to the extension of the go live date, an additional data cut will be required. This is to ensure that data being migrated is as accurate and up to date as possible. This is an additional task for Northgate Public Services who have given an indicative additional cost of £32,000. It has been confirmed that this cost can be accounted as a capital cost and will not impact on the 2021/22 revenue budget.
27. Total additional cost of postponement on allocated budgets is therefore £42,000. This will be financed by ringfencing surplus from 2020/21 budgets for the conclusion of the Northgate project which was anticipated to have concluded within the year.

28. Final stage discussions are now underway with the Northgate processing service. This service has been quoted at £172.50 per day, with the view that 2x FTE undertakes some Housing Benefit processing tasks on the Councils behalf. It is anticipated that this cost, approx. £10,000 will be funded from Containment Outbreak Management Fund(COMF) grant.

Mitigations to ensure October go live date is met

A number of mitigations have been put in place to ensure that the revised October go live date is met, these include:

- Acquiring the services of the Northgate Processing service to clear current backlog of outstanding processes.
- Revised project timeline with additional time to reconcile and validate data prior to being transferred to the new system.
- Ongoing weekly project team meetings to ensure issues are raised and resolved as quickly as possible.
- A resource rota has been implemented to ensure adequate resource is committed to meeting the demands of the project in the later phases.
- Continuing weekly meetings with NPS to ensure project timeline is met and quality of output from NPS is as required.

Consultation

Permission to extend the CAPITA Licence until 30 September 2021 was granted by the Chief Executive and Group Leaders by means of an Urgency Decision in April 2021, pending review and ratification by the Strategy and Resources Committee.

Key implications

Comments of the Chief Finance Officer

The Revenue and Benefits database is business critical and the revenues and benefits teams are unable to function without it. The successful implementation and transition to Northgate is essential to ensure the smooth running of the revenue and benefits team. It is therefore sensible to delay implementation to ensure we get it right rather than to rush to implement an unfinished system. The additional costs identified in the report can be met by the using part of the unbudgeted COMF grant funding we have received in 2021/22.

The full cost of implementing the system can be met from existing revenue and capital budgets. The cost of the Capita licence will be met from the revenue budget. From the 2020/21 General Fund underspend £42,000 has been carried forward to 2021/22 to cover the unbudgeted cost of the licence.

Comments of the Head of Legal Services

The requirement to report decisions taken under the various urgency provisions is set out within the Constitution. Standing Order No.35 states that in relation to Council responsibilities, subject to consultation with the Leaders of all the groups of the Council and the Chair of the respective Committee, the Chief Executive shall have the power to act on behalf of the Council in cases of urgency only where the urgent matter is of such a nature that it may be against the Council's interest to delay and where it is not practicable to obtain the approval of the Council.

Following that decision, the responsible Officer is required to provide a full report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency. It is noted that the necessary process as set out above has been followed and any written representation made by individual Group Leader and Chair was considered.

Equality

An Equality Impact Assessment has been completed which has not identified any negative impacts as a result of this decision.

Climate change

There are no significant environmental / sustainability implications associated with this report.

Appendices

Appendix A - Signed Delegated Decision Request – Urgency Powers (SO35)

Background papers

None

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