

CAPTIA/IBS MERGER INQUIRY

**Email received from Doug Forbes of Barony Consulting Group Limited
13 January 2009**

Dear David,

CAPITA/IBS Merger

When I first noted your advert I meant to respond to you. Better late than never.

To provide some of our background, Barony's roots go back to 1993 when we formed a consultancy company to deal with the market for market testing. Since then, we have moved with the market and still trade in the area of Revs and Bens. We have modelled the entire R&B service, through activity costs, process maps, quality and procedures. We have no conflict of interest in that we have never consulted for these vendors as in earlier years, we assisted many councils on the client side.

The model are termed as RevenueMark and Benefitmark and we have used and refined this in over 80 authorities. Clearly the software has changed over the period and both organisations have embraced DIP and Workflow.

Currently as you are aware, there are three main providers—Northgate, Capita and IBS.

The recent Northgate acquisition of Aniteps effectively removes Pericles, which was problematic. Civica penetration is small although there are still opportunities for 3i to enter the social care/personalisation sphere. This ambition will no doubt be tempered by the credit crunch.

In our view, IBS had to be taken over or to take someone over, say in the social care area.

So will there be enough competition with only 2 main vendors? Firstly it will be hard for anyone else to enter the market.

Public procurement rules mitigate against new entry through PQQs etc. The only solution seems to be—let Capita have the Housing System and auction the R&B to anyone but Capita and Northgate. Hopefully the shareholders will agree but they may not get the price.

It would also be interesting to examine the licensing and maintenance costs per chargepayer and claimant for each of the systems.

There should be a minimum of 3 vendors to maintain adequate competition in this important market. It's a model for lots of other Council software markets.

Regards

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