

Item No	Classification: Open	Date: 10 August 2010	Decision Taker: Cabinet Member for Finance & Resources
Report title	Combined GW1 Procurement Strategy Approval and Gateway 2 Contract Award Approval Revenues & Benefits Information Technology Managed Service		
Ward(s) or groups affected	All		
From	Dominic Cain, Head of Client Services		

RECOMMENDATIONS

1. That the cabinet member for finance and resources approves the procurement strategy outlined in this report for the appointment of information technology support and maintenance for the delivery of the revenue and benefits in house service.
2. That the cabinet member for finance and resources approves negotiation with a single supplier via the Buying Solutions Framework.
3. That the cabinet member for finance and resources approves the award of the Information Technology support and maintenance contract to Northgate to start from 1 April 2011 to 31 July 2012, with the potential extension of 2 years in line with the existing provision within the Serco contract to 31 July 2014.

BACKGROUND INFORMATION

4. The council let the revenues and benefits contract originally in 1998 to Cipfa Services Ltd (CSL) now known as Liberata UK Ltd. In 2003 the executive approved the renewal of the contract with a 2 year rolling contract period which has been extended year on year since then. Additional efficiencies and changes to the bonus structure were included in the contract in 2007.
5. The service consists of the administration of the housing and council tax benefits scheme, collection of council tax and business rates.
6. The housing benefit caseload is one of the largest in London with 39,000 claimants. The net collectable debit for council tax is £96m, and for business rates is £183m.
7. On 19 May 2009 the executive approved the decision to allow the Liberata contract to expire on 31 March 2011. The executive further agreed to receive a report and gateway 1 (as appropriate) providing a recommendation of the preferred option for delivery of the revenues and benefits service from 1 April 2011.
8. On the 29 September 2009 the executive agreed the approach to delivering the service 'in-house' and a programme team was set up to implement the transition.
9. The provision of IT for the revenues and benefits service is a critical area of the service that requires stability and minimal disruption to ensure effective administration.
10. The contract duration is for 16 months up until 31 July 2012. This will enable the council to consider the inclusion of the revenues and benefits IT elements into a wider scope for the

overall council IT service which is renewable by 31 July 2012. There is however potential to extend the existing Serco contract by a further 2 years if necessary.

11. The contract price is fixed for the 16 months duration and therefore can only be varied by formal change control if the requirements of the council change during this period.
12. This report highlights the approach to procurement of the IT element of the service, the reasons for the approach and the benefits offered to the council from the Northgate solution.

Overview of the existing arrangements for Revenues and Benefits IT

13. The council requires two key systems for the administration of the service, the key processing system Northgate's 'i-world' and the document imaging system Northgate's 'information@work'.
14. Both of these systems were upgraded in recent years. A full migration of the core processing system took place in 2007 and was completed successfully with minimal downtime.

Revenues and Benefits Strategic processing system (Northgate's i-world application)

15. Liberata currently host the 'i-world' application in their Sheffield Business and Technology Centre (BTC) which includes the provision of system administration and database management, this also includes all interfaces into the council's core systems.
16. There are a number of existing interfaces that were mapped as part of a systems audit including, cashiers receipting, document imaging and the council's customer relationship management systems.
17. Liberata currently deliver all printing requirements which includes production of all council tax and business rate bills, housing benefit notification letters and associated recovery documentation from the Business Technology Centre in Sheffield.

Document Imaging and Case Management System (Northgate's information@work system)

18. The document imaging system, information@work, is currently hosted by Liberata in No 1 London Bridge and due to the property being re-let in March 2011 it places additional pressure on ensuring a solution is in place by October 2010.
19. The existing configuration of the document imaging system supports Liberata's shared service model, is delivered from their service in Pendle.

Customer Services

20. Liberata currently provide the front line service at the three One Stop Shops and the Revenues and Benefits Call Centre through a sub-contract with Vangent.

Third party and bespoke systems

21. There are a number of ancillary systems that Southwark have identified through a systems audit, these are either currently hosted remotely by the supplier or through Liberata's Business Technology Centre.
22. Liberata have developed a number of bespoke system tools including quality monitoring, performance management and training needs analysis software.

23. Access is required through the government gateway to the Department for Work and Pensions Customer Information System which is a secure third party application.

Support and Business Continuity Arrangements

24. Liberata currently provide database management and applications support from their Business Technology Centre in Sheffield. Support is available both in and out of hours.
25. Serco currently provide desk top support to the client service and these requirements will continue and expand as the new in-house establishment becomes operational.
26. Business continuity arrangements form part of the existing contractual arrangements with Liberata, offsite back-up is available through a third party contract with Sungard.

Summary of the business case/justifications for the procurement

27. The Council took a decision on the 29 September 2009 following non-renewal of the Liberata contract in March 2009 to bring the service back in-house.
28. The Liberata contract included the hosting, support and maintenance of the key applications required for the administration of the revenues and benefits service.
29. The contractual termination period requires the council to put in place alternative arrangements to take effect from 1 April 2011.
30. To ensure the applications are fully tested, re-configured where necessary and the transition is effective, arrangements to host the strategic systems need to be in place prior to 1 April 2011. Therefore a supplier requires a lead-in time of eight months with effect from the approval of the report, anticipated 11 August 2010 until the 31 March 2011, thereafter support and maintenance will be ongoing until the cessation of the contract.

Options for procurement

31. Following an audit of the IT requirements and an understanding of the complexities associated with multiple suppliers officers sought to ensure where possible the IT landscape was streamlined. It was therefore felt that further investigation with additional suppliers would put the programme at risk of non-delivery.
32. Given the timescales associated with the full procurement process the programme board discounted this approach with a view that providing procurement guidelines were adhered to a contract should be sought with one of the council's existing suppliers
33. Given the timescales for implementation of new arrangements there were three key options for the Council in reviewing the approach to procurement.
34. The three options were as follows:
 - Liberata – retain the existing arrangements through the current supplier.
 - Serco – seek a variation of the existing corporate contract.
 - Northgate – existing supplier providing the core revenues and benefits software to the council.

Liberata

35. The council's legal service advised the programme board that due to the termination of the existing contractual arrangements it would not be possible, without a full procurement, to extend the existing IT elements of the contract.
36. The council reviewed the approach to engaging with Liberata through the Buying Solutions Framework as a single supplier. However, regardless of whether we procured through the framework there were a number of risks associated with this:
 - Liberata currently deliver the operation through a shared service model. The council would need to re-implement the document imaging system in any event this would require them to separately host the solution.
 - The council identified significant risk through the migration of data from the existing server to a new environment.
 - Given the project risks, the failure to deliver the solution on time would present the council with significant service delivery issues.
 - Given the proposed changes to ways of working the council would require significant innovation to assist with the new operational model.

Serco

37. The council currently has an existing managed service with Serco for the hosting and desktop support of a number of the council's strategic systems until 31 July 2012.
38. The programme board reviewed the option of varying the existing Serco contract to include hosting, support and maintenance of the revenues and benefits applications.
39. Serco were invited to submit a proposal against the council's detailed specification. The response was received and evaluated and the following risks were identified:
 - Given Liberata's current operational shared service model, Serco would be presented with the same issue in respect of implementation and development of the document imaging system. The council would still need to re-implement the document imaging system.
 - The council identified significant risk through the migration of data from the existing server to a new environment. Serco would incur the same significant risk as Liberata and would need to procure additional support from the applications supplier, Northgate.
 - Failure to deliver the solution on time would present the council with significant service delivery issues. These could be reductions in the ability to collect council tax or significant delays in the processing of housing benefits.
 - The variation of the existing Serco contract presented the council with the same risks in relation to having a third party supplier negotiate with the applications supplier for development and implementation of the systems. In the council's view this would add further complication and additional cost.

Northgate

40. The council upgraded its applications in 2005 and 2006. This included a full data migration to Northgate's i-world application for the administration of council tax, business rates and housing and council tax benefit services. Similarly the council upgraded its document imaging solution to Anite@work, software that was later purchased by Northgate and renamed Information@work.
41. In relation to the core processing system 'i-world' the council contracted directly with Northgate Information Systems.
42. The programme board reviewed the option of procuring the managed service directly through Northgate, the applications supplier, this also carried some risks as detailed below:
 - Whilst there was sufficient evidence to suggest Northgate had significant experience of hosting the revenues and benefits applications there was little evidence to suggest they offered a wider more corporate solution for future development. However this would not be explored further until the Serco contract is up for renewal or extension in 2012.
 - Northgate confirmed whilst responding to the specification that they were transitioning their technology centre from their Basildon site to Woking. The council considered this a risk and required confirmation that this would not affect the smooth transition of the applications. This has been considered and the necessary confirmation has been received.
43. The council also recognised significant additional positive outcomes from progressing with Northgate as the managed service provider, these include:
 - Northgate have access to key expertise across both strategic applications. This includes database management, system administration and access to significant development and resource capability. This is crucial in the transition period and particularly during the migration of data.
 - To enable systems development for the service would require significant input from Northgate Information Systems. Development of key interfaces or functionality of the strategic systems is restricted as Northgate own the intellectual property rights (IPR) of the products. Therefore through partnering with Northgate the council will enable this development and reduce the cost associated with third party engagement.
 - A Northgate hosted solution would enable the council to have direct access to database support which would reduce the complexity of multiple suppliers and relationship management. This in turn would ensure timely resolution of issues through the existing client management support provision.
 - The council's housing rents system is currently delivered using the Northgate Housing system. This will support the development of system interfaces and efficiencies between systems and services. Given the scale of the housing benefits service and direct links with Southwark's social housing a partnership with Northgate will help drive innovation and service improvement – due to restrictions on IPR this would not be possible without significant cost with any other supplier.
 - Internal and external audits have identified significant issues around quality of data. Northgate are experts in defining methods of data cleansing and will assist the council to develop strategies to support the improvement of the council tax data

base. This will also assist the council during the implementation phase in ensuring we have an accurate property data base supporting the census programme.

- Northgate provide a managed Scanning and Indexing service for a number of authorities, this is integrated as part of their managed service offering. Their expertise in this area will deliver invaluable support in the development of form design and configuration of information@work.
- Northgate have already developed integrated performance and quality tools which can assist the council in the operational management of the service.
- Northgate's proposal partners with Sungard one of the UK's leading business continuity suppliers and provides a seamless service with a proposed systems back-up every 15 minutes.
- Northgate have expertise in both legislation and best practice, this extended contract would enable the council to be at the forefront of key customer service developments.

44. Given the outcome of the options appraisal as detailed above the programme board recommended Northgate as the only viable option for delivery of the revenues and benefits IT managed service. The programme board, on reviewing the options, confirmed that this option significantly reduces the risk and therefore will deliver the solution on time.

Procurement approach

45. This procurement is for services and its contract value exceeds the EU threshold of £156,442. It is therefore subject to EU procurement regulations and an EU compliant process must be followed.
46. Northgate was identified as the only supplier able to assist in mitigating specific programme risks and therefore assisting the council in obtaining a smooth transition during implementation
47. Northgate is listed within the Buying Solution Framework as a named supplier.
48. The most efficient procurement route identified to source this contract was through the Buying solutions framework. Buying solutions is the national procurement partner for the UK public services. It is the executive agency of the Office of Government Commerce. The primary role of Buying solutions is to maximise the value for money obtained by government departments and other public bodies through the procurement and supply of goods and services. The Buying solutions Framework agreements provide access to a comprehensive range of services. These frameworks are compliant with EU procurement directives.
49. To ensure the Buying Solutions Framework remains EU compliant, the operational rules for the framework require that a further competition is held with all suppliers appearing on the list. It does however also allow for ordering direct from one supplier provided there is adequate and appropriate justification i.e. it is believed that the one supplier is the only supplier that could meet the requirements.
50. The programme board are of the view that this is the case and that Northgate is the only supplier able to assist in mitigating specific programme risks sufficiently to achieve the imperative smooth transition during implementation
51. The Buying Solutions Framework allows authorities the option to procure a single supplier without the need for a competitive tender.

52. A detailed specification was prepared which was subsequently issued to Northgate. A proposal was received in response and an evaluation carried out by the programme board. Guidance was also received by the sponsoring board consisting of finance director, deputy chief executive and head of human resources confirming this as the approach.
53. The leader of the council, under powers granted within the Local Government Act 2000, delegated this item for approval by the cabinet member for finance and resources.

Timetable of procurement process followed

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan	July 2010
CCRB Review Gateway 1and 2: Contract award report	3/8/10
Notification of forthcoming decision – Urgent implementation	w/c9/8/10
Approval of Gateway 1and 2: Contract Award Report	w/c 9/8/10
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	Urgent implementation
Contract award	w/c 9/8/10
Add to Contract Register	w/c 9/8/10
Supplier mobilisation period, hardware purchase, reconfiguration and testing of systems commences	w/c 9/8/10
Mobilisation period	w/c 9/08/10 – 01/04/11
Ongoing support and maintenance commences i.e.	1/4/11
Contract completion date	31/7/2012
Potential 2 year contract extension	31/07/2014

KEY ISSUES FOR CONSIDERATION

Policy implications

54. An effective IT service is necessary to support the wider aims of the revenues and benefits service including reducing worklessness in the borough by ensuring more efficient processing of housing and council tax benefit claims.

Tender process

55. A specification was developed for the IT support of the revenues and benefits service against which Northgate was invited to submit a formal proposal.
56. The procurement process followed a single supplier negotiation. A specification was developed for the IT support of the revenues and benefits service. As a basis for the negotiation, Northgate was required to submit a proposal that would meet the requirements contained in the specification.

Tender evaluation

57. An evaluation panel was convened and its members included the head of information services department (ISD), ISD group manager, business services (ISD), technical support officer (ISD), head of client services, client manager (client services) programme manager (client services).
58. This proposal was evaluated against the following criteria:
 - Capacity to deliver on time and within budget
 - Ability to deliver all aspects of the specification.
59. The council also took part in a benchmark study of outsourced IT services with other local authorities in 2009. This process was managed by The Society of IT Managers (SOCITM) as part of their national benchmark programme.
60. The council requested additional information regarding the cost of supporting revenues and benefits applications. A survey had been undertaken among a group of councils in London in 2009. The results across the group of eight authorities ranged from minimum costs of £150,000 per annum, up to a maximum of £605,000 per annum. Business rates were excluded from the costs.
61. The average benchmark cost of the council tax and benefits application support service was £330,000 per annum. Proposed costs were compared with the average benchmark cost of the council tax and benefits application support service and found to be in line with them.
62. Costs in relation to the hardware and professional fees were benchmarked against industry standards and found to be in line with expected current market values.
63. In relation to the printing of documents, scanning and indexing element a market testing exercise was undertaken to ensure best value was achieved.

TUPE implications (if no TUPE implications write 'not applicable')

64. An initial TUPE list has been received from Liberata which indicates roles with IT administrative functions, currently located in London Bridge and Bromley. These roles will be captured within the wider operational transition and be subject to TUPE status and on-going TUPE negotiations. The council has been advised by both internal and external experts in employment law.

Plans for the transition from the old to the new contract

65. Northgate has developed a full project plan which reflects the design and build of the new production environment by the end of September 2010. This will enable a full test programme to be completed by December 2010. This project plan provides for 4 full data loads between December 2010 and February 2011. This is based on the council receiving approval for this procurement within August.

Plans for monitoring and management of the contract

66. ISD currently delivers a client monitoring function to the main ICT services contract. As the scope of the services included within this contract relate to strategic systems ISD will have responsibility for the client monitoring tasks associated with this contract. Separately the revenues and benefits service will develop a control capability in order to deliver day to day system monitoring and reconciliation tasks.
67. In addition, within the revenues and benefits structure, there is a monitoring and management role which will cover the day to day management of the performance of the services provided.

68. There will be a robust governance structure in place to ensure performance monitoring takes place and issues are escalated. Performance will be monitored on a daily basis and records kept of any downtime, issues will then be referred to Northgate's Client Director as necessary for resolution.

Community impact statement

69. The revenues and benefits operation is a front line service affecting the wider community and in particular some vulnerable customers within Southwark. To ensure the effective administration of the service a robust IT platform is required to ensure payments of the housing benefit are received on time thereby reducing the potential for homelessness within the community.

Sustainability considerations (Including Economic, Social and Environmental considerations)

70. The supplier will provide the council with a document imaging scanning and indexing service, generating a paperless office environment and supporting the council's modernisation agenda, reducing the need for storage and generating efficiencies.

Resource implications

71. A project team exists to undertake this aspect of the transition programme. It is not anticipated there will be any further resource implications other than those identified and accounted for within the transition budget.

Staffing/procurement implications

72. A project manager has been appointed for a temporary period within ISD, this individual will act as the responsible person for systems transition. It is anticipated that systems and process testing will be undertaken within client services, a resource plan has been developed to be managed within the division.

Financial implications

73. It is anticipated that the costs associated with transitioning the IT element of the service will be met from the programme budget as approved by the finance director. Ongoing operational, support and maintenance costs have been factored into the service budget with effect from 1 April 2011.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

74. This report seeks the approval of the cabinet member for finance and resources for the procurement strategy for the appointment of information technology and maintenance for the delivery of the revenue and benefits in house service.
75. Pursuant to section 14 of the Local Government Act 2000 (as amended) the leader may discharge this function and may delegate this function to a member of the cabinet. This would require a decision from the leader, prior to the decision in this report being made and in accordance with Article 6 of the constitution circulated to all members.

76. The contract sum of this contract is above the EU threshold and the Public Contracts Regulations 2006 therefore apply. The Buying Solutions Framework Agreement was awarded following a compliant process. However the Buying Solutions Framework Agreement requires a further mini tender to be carried out, inviting all suppliers within the relevant category to submit a specific tender. This procedure may be waived if there is adequate and appropriate justification. In this case this requirement is met because it is believed only Northgate can meet the Authority's requirements, see the Options for Procurement section of this report.

Finance Director

77. This report seeks approval for a procurement strategy for the revenues and benefits information technology managed service. This forms part of the revenues and benefits transition project (New Horizons). An option appraisal has been carried out for the strategy, which includes detailed costings.
78. All costs of service transition are subject to ongoing review and detailed analysis. These costs are necessary in transferring the service and will be met through a combination of earmarked reserves and provisions and existing revenue budgets as appropriate.

Head of Procurement

79. This report is a combined gateway 1 & 2 report seeking approval to award the revenues and benefit technology managed service to Northgate following a single supplier negotiation using the buying solutions framework.
80. Paragraph 31 outlines the results of a systems audit that shaped the options for sourcing this service. Paragraph 44 confirms that following an options appraisal Northgate was identified as being the only viable option for providing this service.
81. Paragraph 48 confirms that the buying solutions framework has been identified as the most efficient EU compliant procurement route to secure the contract with Northgate. The justification for directly placing an order with Northgate is laid out in paragraphs 40-44.
82. With a single supplier negotiation it is sometimes difficult to demonstrate value for money when the services being provided are not standard. Officers have made a comparison of the cost of the new contract against the existing costs for the same services. Paragraph 61 confirms that the new cost will be in line with the average benchmark cost.
83. Paragraphs 66-68 describe the monitoring and management arrangements that will be in place for this contract. This contract will be covered by both ISD and Revenues and Benefit sections ensuring that any technical and service issues are captured and dealt with appropriately.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 – Procurement strategy approval- provision of revenues and benefits back office service 29/9/09	Client Services Division, Chief Executives Department	Dominic Cain x50636
Contract Register Update		

AUDIT TRAIL

Lead Officer	Dominic Cain, Head of Client Services		
Report Author	Fiona Ives, Programme Manager		
Version	Final		
Dated	10 August 2010		
Key Decision?	Yes	If yes, date appeared on forward plan	17 July 2010
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	yes	yes	
Finance Director	yes	yes	
Head of Procurement	yes	yes	
Contract Review Boards			
Departmental Contract Review Board	no	no	
Corporate Contract Review Board	yes	yes	
Cabinet Member	yes	yes	
Date final report sent to Constitutional Officer			10 August 2010