

Item No.	Classification: Open	Date: 12 May 2014	Meeting Name: Strategic Director of Finance & Corporate Services
Report title:		Gateway 2 Contract Award Approval Revenues & benefits managed IT service	
Ward(s) or groups affected:		All	
From:		Assistant Director, (revenues, benefits & FTSS)	

RECOMMENDATION(S)

1. That the strategic director of finance and corporate services approves the award of a cloud based revenues and benefits information technology service contract to Northgate Information Solutions Ltd. The contract is to include support and maintenance and has an estimated value of £703,144 per annum totalling £3.5m over the contract duration of 5 years, for the period from 1 July 2014 until 30 June 2019.

BACKGROUND INFORMATION

2. The council approved the award of the IT managed service for the revenues and benefits division that commenced on 1 April 2011 to Northgate Information Solutions Ltd (Northgate). The contract was initially for 16 months and has since been extended to 30 April 2014.
3. The managed service contract included the hosting and database administration of the two key systems in revenues and benefits (i-World & Information@work), it also included the scanning and indexing of all documents received and the production of all system generated documentation
4. As the current contract ends on 30 April 2014 there is an ongoing requirement for an IT managed service post contract end date. The contract end date has provided an opportunity to explore joint arrangements with other councils together with understanding new innovative cloud based technology that exists within the market place and which will deliver improved performance and minimise costs.
5. A separate gateway will formalise the decision to extend the current contract for two months covering the period from 01 May 2014 to 30 June 2014.
6. In order to maintain stability in service delivery the service requires a 5 year contract that ensures continuity of service throughout the challenging period of welfare reform. The universal credit transition will require significant service change and the governments current timetable for this transition suggests that the impact in Southwark will span 2016 through to 2018.
7. A Gateway 1 report setting out the strategy for the procurement of the cloud based IT managed service contract was approved on the 22 April 2014.
8. The strategy set out in the gateway 1 report recommended that the approach to procurement should be through single supplier negotiations with the incumbent IT

managed service provider (Northgate Information Solutions Ltd). It is confirmed that the procurement approach and timetable set out within the report has been adhered to.

9. Within the same report the cabinet member for finance resources and community safety approved delegation to the strategic director of finance & corporate services authority to award the revenues & benefits managed IT service to Northgate Information Services Ltd.

Procurement project plan (Key Decision)

10. The proposed timetable for delivery of the contract is set out as detailed below:

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	May 2014
In principle decision for procurement approach granted by Cabinet member for finance, resources & community Safety	27/03/14
Approval of Gateway 1: Procurement Strategy Report	22 /03/14
DCRB/ / Review Gateway 2:	10/04/14
CCRB Review Gateway 2	17/04/14
Notification of forthcoming decision – Five clear working days	01/05/14
Approval of Gateway 2: Contract Award Report	12/05/14
Scrutiny call in period and notification of implementation of Gateway 2 decision	20/05/14
Notification of implementation of Gateway 2 decision	20/05/14
Contract award	20/5/14
Add to Contract Register	20/05/14
Contract start	01/07/14
Contract completion date	30/06/19

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

11. This procurement will deliver a new cloud based revenues and benefits information technology support and maintenance managed service contract. This will take advantage of new technology that recognises innovative Cloud based technology that now exists in the market place and which will deliver improved performance and minimise costs.

12. The procurement will ensure stability and maintain continuity of service over the next 5 years and particularly throughout the challenging period of welfare reform. The universal credit transition will require significant service change and the governments current timetable for this transition suggests that the impact in Southwark will span 2016 through to 2018
13. This procurement will also deliver a significant cost reduction in excess of £700,000 when compared to the existing contract.
14. The negotiated savings are primarily as a result of deploying the cloud based technology, minimising the need to procure dedicated Southwark servers and the opportunity to share the technology platform with other authorities.
15. At this stage Northgate have identified an opportunity for another London Borough to consider joining the shared cloud environment. Current understanding is that they are in negotiations with Northgate. In the event that those negotiations are successful there will be an opportunity for the council to benefit from additional savings with Northgate.

Advantages of existing supplier

16. Throughout the period of the existing contract the council has continued to work with Northgate and have developed systems and processes that have been responsive to the changing revenues and benefits environment.
17. The council will continue to recognise significant additional positive outcomes from working with Northgate as the managed service provider, these include:
 - Access to key expertise across both strategic applications. This includes database management, system administration and access to significant development and resource capability.
 - Northgate have significant experience in service development and the effective utilisation of technology. The council is actively looking to improve performance, particularly within customer services through development of IT and Northgate have experience to strongly support the project in this area.
 - A Northgate hosted solution enables the council to have direct access to database support which reduces the complexity of multiple suppliers and relationship management. This in turn would continue to ensure timely resolution of issues through the existing client management support provision.
 - The council's housing rents system is delivered using the Northgate Housing system. The council will continue to achieve economies of scale through the sharing of Northgates customer relationship manager across both services.
 - Northgate will continue to 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 continue to

deliver invaluable support in the development of form design and configuration of information@work.

- Northgate have expertise in both legislation and best practice, this contract would enable the council to be at the forefront of key customer service developments

Contractual performance

18. The performance from Northgate over the past 3 years has been exceptionally good for the following reasons:

- i. Limited system down time (with early resolution of issues)
- ii. Clear management of the issues log with swift resolution or clear indication of timescales
- iii. The service associated with info@work & printing is excellent with clear communications adhered to by all parties

Policy implications

19. 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 Benefit and Council Tax reduction claims.
20. The service provided will assist the Council in achieving the fairer future principles by ensuring fast and efficient processing of Council Tax & Business Rates thereby maximising income for the council.

Tender process

21. The council issued a specification to the existing supplier primarily requesting a change to the hosting technology taking advantage of developments in cloud based technology in February 2014.
22. The Council carried out a series of detailed discussions and on site meetings with the supplier prior to the agreement of the proposed solution. All aspects of the proposed cloud based solutions were clarified and the transition plan, in principle, agreed by both parties.
23. The supplier responded to the specification in March 2014 prior to the end of the existing contract detailing their approach to implementation of cloud based technology.
24. The Council subsequently entered into single supplier negotiations with Northgate Information Solutions Ltd. as the existing supplier of the revenues and benefits managed IT service.

Tender evaluation

25. The proposed cloud based IT managed service brings together a number of business elements that are unique and therefore prevented standard market pricing comparison. It has therefore been extremely difficult to demonstrate a price

comparative with alternative contracts within the market place. In order to ensure and deliver best value the Council has negotiated significant savings against the current price. In addition the council's revenues and benefits service will benefit from new cloud based technology as part of the service solution being delivered.

26. A project board was convened to provide the governance for the negotiations and sanctioned the proposal received from Northgate which identified the cost savings discussed within this report.
27. The project board recognised the potential for further savings to be realised in the event that additional local authorities or partners take advantage of this cloud based technology.

Plans for the transition from the old to the new contract

28. The decision to award the contract to the existing provider will avoid the necessity for any transitional plans and will also avoid any potential operational service disruption or risks.

Plans for monitoring and management of the contract

29. The revenues and benefits service has a fully established Applications Support team that has proven capability to deliver day to day system monitoring and reconciliation tasks. No additional resources are required as consequence of this new contract.
30. In addition, within the revenues and benefits structure, the Head of Revenues has overall responsibility for the monitoring and management of the day to day performance of the services provided by the service provider.
31. A robust governance structure is already in place to ensure:
 - KPI's are being delivered
 - Performance is delivered against specification requirements
 - Monitoring of daily system availability and down time
 - Management of issues and risk log
 - Production of all documentation and associated reconciliations'
32. A formal contract review of performance will take place on a monthly basis and any issue that requires escalation will be referred to Northgate's Client Director as necessary for resolution.

Identified risks for the new contract

	Risk Identification	Likelihood	Risk Control
R1	Contract award Delayed	Low	Strategic director of finance and corporate services has extended existing contract for up to 2 months to enable procurement process to complete
R2	Transition to cloud based solution creates service failure	Low	Development of a robust transition plan from contract start date (1 July 2014) to implementation date of the cloud based solution planned for September 2014

R3	Failure of cloud based technology leads to service failure	Low	The contract has sufficient disaster recovery processes in place to minimise the risk of loss of service. There are no known issues relating to the technology and evidence to date suggests as a minimum the service will meet current performance levels.
R4	Service disrupted	Low	Transition to new contract will not require any service operational changes and which mitigate any risks of disruption
R5	Revised service provision is not compatible with any infrastructure upgrades undertaken by the council's contractors	Low	The service is actively engaged with the improvement programme and has ensured compatibility with proposed changes.

Community impact statement

33. 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.
34. The service has continued to improve since 2011 with significant improvements achieved in 2013/14. Any change to the service at this stage without a longer term planned transitional programme would impact on the council's ability to assist those most in need in a timely manner

Economic considerations

35. The contract award will be for £3.5m. This is £734,000 less than the existing cost of the IT managed service and therefore the council will achieve savings as part of this process by utilising the cloud based technology.
36. The council's existing revenues and benefits IT hardware is nearing the end of its life span and therefore by joining a cloud based solution the council does not have to procure dedicated hardware. This also ensures economies of scale can be achieved if multiple clients can utilise the cloud based generic hardware.

Social considerations

37. The Council has ensured by liaising with the supplier that the London Living Wage principles are adhered to in all areas of service delivery relating to this contract (as appropriate).

Environmental considerations

38. 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.

Market considerations

39. The gateway 1 report outlined the considerations of the current market suppliers and recommended single supplier procurement be adopted.

Staffing implications

40. It is anticipated that the contract resourcing requirements will be met within existing resources

Financial implications

41. The total contract value associated with this procurement is £3.5m. This is for the provision of services over a 5 year period commencing on 1 July 2014. The £703,144 cost per year will be met from the existing revenues & benefits core divisional budget. Although some elements are variable it is anticipated that these will be managed within existing resources. An element of the current contract value is based on expected volumes. A clause in the contract allows us to revise the volume however, this will require renegotiation of the contract value
42. As a result of this procurement the reduction in cost over the life of this contract. is likely to be £734k. See details in the table below:

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

43. This report is seeking to award an IT managed service contract for the revenues and benefits service. The contract will have a term of 5 years but will have no extension provision
44. This report confirms that the tender process followed the procurement strategy contained in the gateway 1 report which was approved earlier this month.
45. The procurement outcomes are outlined in paragraphs 11 – 15. This contract will continue to deliver the IT managed service but using a new cloud based approach. It is expected that this new approach to service delivery will lead to performance improvements and some cost savings.
46. The approach to negotiation and the evaluation of the proposal submitted by Northgate Information Solutions Ltd. are contained in paragraphs 21 – 27.
47. The contract monitoring and management arrangements are outlined in paragraphs 29 - 32. It is envisaged that existing arrangements will be use to monitor the contract.

Director of Legal Services

48. This report seeks the approval of the strategic director of finance and corporate services to the award of the cloud based revenue and benefits IT service contract to Northgate, as further detailed in paragraph 1. As the value of the contract exceeds £2m the decision to award would ordinarily be one for the relevant cabinet member, but was delegated to the strategic director of finance and corporate services as part of the gateway 1 (procurement strategy) decision.
49. As noted in the comments of the director of legal services in the gateway 1 report, the award of this contract is subject to the EU procurement requirements. Paragraph 12 of this report and the earlier gateway 1 report set out in detail the reasons for the council seeking to award to the existing supplier, Northgate, and why it was not possible to undertake a competitive procurement for this interim contract period. Since the gateway 1 approval discussions to agree the cloud based solution have taken place, and external legal advisers are now assisting the council to complete the legal documentation
50. Contract standing order 2.3 requires that no steps should be taken to award a contract unless the expenditure involved has been approved. Paragraphs 41 and 42 confirms the financial implications relating to this award

Strategic Director of Finance and Corporate Services (F&CS14/004)

51. This report seeks approval for the award of a cloud based revenues and benefits information technology service contract to Northgate Information Solutions Ltd. for the period from 1 July 2014 until 30 June 2019. The financial implications are contained within the body of this report.
52. The strategic director of finance and corporate services notes that the contract award represents a reduction on the price in previous years. It is also noted that that the contract has a variable element and that close monitoring is required to ensure costs are contained within available resources.
53. The current year budget (2014/15) is below the level required to fund this contract, with the additional funding coming from other revenues & benefits budgets. Officers must work to realign budgets and ensure that adequate provision is clearly identified for this contract.
54. Budget pressures may occur in future years as a result of reductions the council's budget. It is noted that this contract can be renegotiated in the event that full funding is no longer available. Officer time to implement this decision can be contained within existing resources.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the Council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature 

Date 13.5.14

Designation STRATEGIC DIRECTOR OF FINANCE AND CORPORATE SERVICES

BACKGROUND DOCUMENTS

Background documents	Held At	Contact

APPENDICES

No	Title

AUDIT TRAIL

Lead Officer	Dominic Cain, assistant director (revenues and benefits and FTSS)
Report Author	Mike Lynch, improvement & development manager, revenues and benefits.
Version	Open v2.
Dated	1 May 2014
Key Decision?	Yes

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER

Officer Title	Comments Sought	Comments included
Head of Procurement	Yes/No	Yes/No
Director of Legal Services	Yes/No	Yes/No
Strategic Director of Finance and Corporate Services	Yes/No	Yes/No
Head of Specialist Housing Services	Yes/No	Yes/No
Cabinet Member	Yes/No	Yes/No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes

Cabinet	Yes/No	Yes/No
Date final report sent to Constitutional/Council/Scrutiny Team		<i>April 2014</i>