

Agenda Item No:

Report No:

Report Title:

Procurement of New Service Delivery Model Technology and Consultancy Services

Report To: Cabinet

Date: 20th November 2014

Cabinet Member: Cllr. Rob Blackman

Ward(s) Affected: All

Report By: Graham Cook, Transformation Manager

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Purpose of Report:

To recommend investment of £2.25m in the Organisational Development Strategy, in order to deliver a technology-enabled end-to-end customer service model and generate recurring efficiency savings amounting to £1.2m, phased over 4 years from 2015/16 to 2018/19.

Officers Recommendation(s):

1 That Cabinet recommends to Council:

The allocation of a budget of £2.25m to the Nexus Transformation Programme, to be funded from New Homes Bonus receivable in 2015/16 and 2016/17, along with a contribution from the Housing Revenue Account.

That Cabinet:

- 2** Endorses the procurement exercise being undertaken as part of the Nexus Transformation Programme to select a supplier to deliver the necessary technology and business change management to implement the Council's Organisational Development Strategy.
- 3** Authorises the Chief Executive and Director of Service Delivery, in consultation with the Leader and Deputy Leader of the Council, to award a contract to the supplier selected by the procurement process set out in Recommendation 2.
- 4** Authorises the Assistant Director of Corporate Services to engage appropriate external specialist lawyers to draw up appropriate contract documentation, and to note that this may require expenditure of c. £60,000 and is a cost associated

with developing the specification, as authorised by Cabinet in June 2014 (Minute 7.2 refers).

- 5 Authorises the use of the unallocated balance of New Homes Bonus currently held in the Change Management and Spending Power Reserve to fund necessary expenditure in support of the procurement process (for example, the engagement of specialist IT contract lawyers and procurement advice from iESE) during 2014/2015.

Reasons for Recommendations

1 Organisational Development Strategy

- 1.1 The Organisational Development Strategy was adopted by Cabinet on 2nd June 2014 (Report 76/14, Minute 7.1 refers).
- 1.2 The updated Medium Term Financial Strategy (on this agenda) requires savings of approximately £3.2 million by 2020. Although good progress has already been made, there is an efficiency savings requirement of £1.2m phased over the next 4 years (2015/16 – 2018/19).
- 1.3 The June 2014 report set out how investment in a multi-skilled end-to-end customer service model at an estimated cost of £2.25m is expected to generate 15% annual efficiency savings of £1.2m, thereby fulfilling the savings requirement and meeting customer expectations for more flexible and responsive Council services.
- 1.4 The estimate of £2.25m for the investment required to deliver technology and business change management was based upon the previous experience of Eastbourne Borough Council and West Devon and South Hams Councils, which have already undertaken procurement exercises of this type. The New Service Delivery Model Project is drawing upon their expertise in developing the technology and business change specification.
- 1.5 Upon consideration of the report, Cabinet endorsed the development of technology and business change specifications to support the implementation of the Organisational Development Strategy and new ways of working by the Service Delivery unit (Minute 7.3 refers).
- 1.6 The recommendations in this report will enable the procurement process to keep up the current pace, which is further advanced than anticipated, in order to select a supplier to deliver the technology and business change specification set out at 1.5 above.

Information

2 Nexus Transformation Programme

- 2.1 The Nexus Transformation Programme oversees the projects that have been established to deliver the Organisational Development Strategy:
 - (a) Corporate Shared Services Project

- (b) New Service Delivery Model Project
- (c) Customer Contact Projects (Website Refresh and Telephony Phase 2)

3 New Service Delivery Model Project

- 3.1** The purpose of the New Service Delivery Model Project is to develop the technology and business change specifications authorised by Cabinet (see 1.5 above) and undertake a procurement exercise to select a supplier who will work with the Council from 2015 to 2018.
- 3.2** The aim is to go out to tender in February 2015; select a supplier in June 2015 and sign contracts by September 2015.
- 3.3** The reasons for this timescale are
 - (a) to deliver the anticipated efficiency savings in a timely manner, in accordance with the Medium Term Financial Strategy (Report 76/14 Appendix 3);
 - (b) to ensure compatibility between the procurement specification and the steps being made to align the provision of IT services between Eastbourne Borough Council and Lewes District Council endorsed by Cabinet on 29th September 2014 (Minute 29.1 refers);
 - (c) to ensure compatibility between the timescales for internal restructuring to deliver the new customer service model and the delivery of the technological solutions necessary to support it;
 - (d) to allow sufficient time for preparatory work to be undertaken during a "mobilisation period" between the selection of the supplier and the commencement of the contract, in view of the complexity of the procurement.
- 3.4** In order to ensure that the procurement exercise meets the intended timescale, it is recommended that delegated authority is given to the Chief Executive and Director of Service Delivery to award the contract, in consultation with the Leader and Deputy Leader (Recommendation 3).

4 Technology and Consultancy Services

- 4.1** The technology to be procured is expected to include elements such as:
 - (a) A Customer Relationship Management system which provides a single view of a customer's relationship with the Council;
 - (b) Complete integration between operational and financial systems to allow customers to make paid for transactions in a single entry;
 - (c) Common web and telephony interfaces so the customer experience is the same whether they use the telephone or the web to contact the Council;

(d) Integration of diary and GIS systems to allow customers to book services with a standardised address.

4.2 Scripting of some 400 customer contact processes will be needed to allow both residents and staff to navigate easily and consistently through any one transaction.

4.3 The implementation of the technological improvements listed above will require the replacement of some existing IT systems, the acquisition of systems not currently used by the Council, change management consultancy, intensive staff training and a targeted communications campaign. The budget requested in Recommendation 1 will be used to pay for this work.

5 Procurement Process

5.1 The procurement process will be carried out in accordance with the Council's Contract Procedure Rules, and will include a period of at least 5 weeks for the detailed technical evaluation of the tenders received to ensure that required quality standards are met. This evaluation period is expected to require demonstrations of technology and site visits, as well as evaluation of tender documents.

5.2 A Project Team has been formed to drive the New Service Delivery Model Project forward, operating under the umbrella of the Nexus Transformation Programme. The team includes staff from both Lewes and Eastbourne councils. Support will also be obtained from external procurement specialists in respect of developing the requirements specification and managing the procurement in a robust and EU-compliant manner.

6 Financial Appraisal

6.1 The Organisational Development Strategy approved in June 2014 set a 15% return on a current base of £8m expenditure for this planned investment. This reflects experience at Eastbourne BC and was considered a prudent target for the Council. The Council is anticipating some of this saving through preparatory changes in staff structures within the Service Delivery team, and as part of the procurement suppliers will be tested on the level of savings other similar projects have delivered.

6.2 As noted in the Organisational Development Strategy report to Cabinet in June 2014, the £2.25m investment required for this project can be funded from the New Homes Bonus receivable by the Council.

6.3 As previously agreed, New Homes Bonus is held within the Change Management and Spending Power Reserve pending its use on specified projects. The unallocated balance of New Homes Bonus received to date is projected to be £0.167m at 31 March 2015. Current projections are that the Council will receive New Homes Bonus funding of £1.37m in 2015/2016 and £1.57m in 2016/2017. The Government is expected to

confirm the New Homes Bonus amounts to be paid in 2015/2016 in February 2015.

- 6.4** It is recommended that an allocation of up to £2.25m of New Homes Bonus is made to support the Organisational Development Strategy. At this stage, the timing of expenditure is not known. Some expenditure will be required in support of the procurement process (for example, to engage specialist IT contract lawyers) during 2014/2015, and this can be met from the unallocated balance of New Homes Bonus currently held in the Change Management and Spending Power Reserve.
- 6.5** The phasing of expenditure on the Strategy may not match the timing of receipts of the New Homes Bonus between 2015/2016 and 2016/2017. In the event that expenditure in 2015/2016 exceeds New Homes Bonus to be received in that year, there would be an interim call on the General Fund working balance. The working balance would then be reimbursed in 2016/2017.
- 6.6** The technology which will be procured, and the changes in customer service that it will support, will not be restricted to the Council's 'General Fund' activity: with a joined up focus on 'customer service' there will also be a transformation in the way that services and support to the Council's housing tenants is delivered. As a result it will be reasonable for the Housing Revenue Account to make a contribution towards the cost of implementing the Strategy, reducing the call on the New Homes Bonus. The amount and timing of this contribution will be evaluated following the receipt of tenders, at which time it will be possible to determine an appropriate split between General Fund/Housing Revenue Account activity.

7 Legal Implications

The Legal Services Department has made the following comments:

- 7.1** Procurement of a supplier for a contract of this scale will require the Council to adhere to an EU-compliant procurement process. Under the "restricted" procedure contract documentation would normally be prepared prior to the OJEU notice. At the very least, all contract documentation must be finalised by the end of the PQQ stage - if it is not, there is a risk that the procurement process will have to be suspended.

8 Sustainability Implications

I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of these recommendations.

9 Risk Management Implications

- 9.1** The following risks will arise if the recommendations are not implemented:

- (a) The procurement exercise to appoint a supplier to deliver technology and business change management to implement the Council's Organisational Development Strategy will either not go ahead or will be delayed, resulting in an adverse impact on the Medium Term Financial strategy Savings Plan, the development of Corporate Shared Services with Eastbourne Borough Council and the implementation of the new customer service delivery model (see 3.3 above).

9.2 The following risks will arise if the recommendations are implemented, and it is proposed to mitigate these risks in the following way:

- (a) There is a need for the procurement exercise to be conducted in accordance with the Council's Contract Procedure Rules and relevant EU and UK law and best practice. This risk of failing to do so will be mitigated through specialist legal and procurement advice (as set out in Recommendations 4 and 5).

- (b) There is a risk that the specification and evaluation process will not be sufficiently robust to enable the selection of a suitable supplier and the delivery of technology and business change management that meets quality and value for money criteria. This risk will be mitigated through:

- studying example procurement documentation kindly supplied by West Devon and South Hams and Eastbourne Borough Councils;
- working with external specialist advisors on the procurement process (see 5.2 above);
- the secondment of a Head of IT from Eastbourne Borough Council who has experience of both their Future Model (which involved similar technology and business change procurements) and working in the private sector, and who will be responsible for the technology specification and evaluation process;
- the inclusion in the project team of representatives from LDC Legal and Financial Services;
- consultation with the Leader and Deputy Leader prior to award (Recommendation 3).

10 Equality Screening

- 10.1** An equality analysis has been conducted on this report. The development of the specification for the procurement exercise will include consideration of equality issues. This will ensure that opportunities are taken to advance equality of opportunity through the new service delivery model, in accordance with the Council's Equality Duty.

11 Background Papers

Report to LDC Cabinet, 2 June 2014 "Change Management at Lewes District Council – Next Steps in Organisational Development" ([Report 76/14](#))

12 Appendix 1 - draft procurement timetable

Step	Approximate Dates	Comments
Procurement process initiated	November 2014	Project Board and Programme Board sign off procurement process and timetable
Cabinet considers report: "Procurement of New Service Delivery Model Technology and Consultancy Services"	20th November 2014	
Council considers Cabinet recommendation on budget allocation	3rd December 2014	
OJEU notice	January 2015	
PQQ return deadline	February 2015	
ITT issued	February 2015	
ITT return deadline	April 2015	
Evaluation	April - June 2015	5 working weeks minimum, to include demonstrations and site visits
Award	June 2015	Provisional award is followed by a 10 day standstill period
Mobilisation	June 2015 - August 2015	A period of preparation before the contract starts.
Contract start date	September 2015	