


<p style="text-align: center;"><b>The London Borough of Hammersmith &amp; Fulham</b></p> <p style="text-align: center;"><b>CABINET</b></p> <p style="text-align: center;"><b>15 JANUARY 2018</b></p>	
<p><b>PROCUREMENT STRATEGY &amp; BUSINESS CASE FOR INTEGRATED MANAGEMENT SYSTEMS</b></p>	
<p><b>Report of the Cabinet Member for Finance – Councillor Max Schmid</b></p>	
<p><b>Open report</b></p> <p>A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p><b>Classification: For decision</b> <b>Key Decision: Yes</b></p>	
<p><b>Consultation:</b> <i>Housing, Revenues &amp; Benefits, ICT, Procurement, Corporate Finance</i></p>	
<p><b>Wards Affected:</b> All</p>	
<p><b>Accountable Director:</b> <b>Belinda Black, Director for Resident and Business Satisfaction</b></p>	
<p><b>Report Author:</b> Ricky Morton, IMS Programme Manager</p>	<p><b>Contact Details:</b> Tel: 07808 771 749 ricky.morton@lbhf.gov.uk</p>

## 1. EXECUTIVE SUMMARY

- 1.1. This report seeks approval for the Procurement Strategy and Business Case (the “Strategy”), and to proceed with the Integrated Management Systems (IMS) programme, to procure systems to support housing and residents’ services within the London Borough of Hammersmith and Fulham (the “Council”).
- 1.2. The service areas covered are Housing Management (Tenants & Leaseholders), Revenues and Benefits (Council-tax & National-Non-Domestic Rates), resident and business Self Service portal, Electronic Document Management, and Payment Processing and Income Management.
- 1.3. A soft market testing exercise has been undertaken to inform the recommended procurement strategy.

## 2. RECOMMENDATIONS

- 2.1. To approve the Integrated Management Systems Procurement Strategy and Business Case as defined in Appendix 1, leading to the reprocurement of IT systems to support (1) Resident and Business Self-Service Portal, (2) Housing Management (3) Revenues & Benefits, and (4) corporate Electronic Document Management, using the Competitive Dialogue process. That the procurement process commences in March 2018 with the aim to complete in October 2018.
- 2.2. To award a Contract for Payment Processing and Income Management to Capita Business Services Ltd using Crown Commercial Services Framework RM1059. That the contract commences in March 2018 for a period of 4 years with break points at end of years 2 and 3 and has a total cost as set out on the exempt part of this report.
- 2.3. To delegate to the Strategic Finance Director, in consultation with the Cabinet member for Finance, the Cabinet member for Housing and the Deputy Leader, operational decisions relating to the procurement process for each of the formal stages taken through the competitive dialogue procedure<sup>1</sup>. Subsequent contract award will be taken to cabinet for approval in Autumn 2018.

## 3. REASONS FOR DECISION

- 3.1. Following the end of the contract with Hammersmith & Fulham Bridge Partnership Ltd (a JVC with Agilisys), a need was identified by Legal Services to revisit the contractual arrangements for a number of key systems in use at the Council. Further details are given in Section 1 (Executive Summary) of the Strategy as set out in Appendix 1.
- 3.2. The project identified five potential lots. Four of these lots (as set out in 2.1 above) lend themselves to an integrated procurement exercise through use of the Competitive Dialogue process (as stated in Appendix 1, paragraph 1.4.1). The fifth lot is independent of the other four and can be simply dealt with through calling off from a national framework agreement managed by Crown Commercial Services.
- 3.3. Combining the four lots presented an opportunity to benefit from digital, data and technology innovation to support the Council's vision to be "*the Best Council*" and to work with its residents to get things done. Implementing new solutions in these areas can facilitate transformational change in services, increase resident and business satisfaction, and enable efficiency savings through channel shift and automation to be realised. This will complement existing initiatives and integrate with work already underway across the council.

---

<sup>1</sup> (a) Invitations to participate in the Competitive Dialogue process; (b) possible reductions in the number of bidders taking part during each of the formal stages; and (c) the identification of the Preferred Bidder(s)

## 4. PROPOSAL AND ISSUES

- 4.1. Soft market testing has been carried out over the autumn following the publication of the Prior Information Notice (PIN) in the *Official Journal of the European Union* (OJEU) on 4 August 2017 (reference 2017/S 148-306475) for the five lots and has involved meetings with 11 interested suppliers.
- 4.2. The soft-market testing suggested that the most appropriate approach to the re-award of the Council's supply for Payments Processing and Income Management functionality (Lot 5) would be to use the Crown Commercial Services Framework Agreement (RM 1059). The full reasons are outlined in paragraph 1.4.3. in Appendix 1. This approach will rationalise all Payments Processing and Income Management on a single platform, reduce the amount of change Corporate Finance are required to undertake in the near term, and introduce stability while the new Finance solution is implemented and bedded in.
- 4.3. Informed by the results of the soft-market testing, the re-procurement programme for Lots 1-4 will run using the **Competitive Dialogue** procedure. It will still comprise four lots but there must be scope for integrating back-office information across all four areas and with other Council services such as Business Intelligence (BI), Electoral Services, Parking & others.
  - Lot 1: Self Service,
  - Lot 2: Housing,
  - Lot 3: Revenues and Benefits, and
  - Lot 4: EDMS.

Paragraph 1.4.1 in the Strategy (Appendix 1) states that separate dialogues will be run in parallel for each of the Lots, and each Lot will be evaluated discretely. This will allow 'best of breed' solutions to be chosen in each area and the implementation timeline to be tailored to each as appropriate.

### ***Issues***

- 4.4. With the novation of the contracts entered into by HFBP on behalf of the Council and subsequently transferred to the Council on 1 November 2016, there was a potential risk of legal challenge by suppliers. To mitigate this risk the Council published a PIN to (a) signal its intention of going out to the market to seek new contracts; and (b) engage with the market through soft-market testing.
- 4.5. Stakeholder engagement across the services will be key to a successful procurement.
- 4.6. The Competitive Dialogue will require strong programme management to deliver to the timeline specified in Section 9 of Appendix 1 by Autumn 2018.
- 4.7. There is a large amount of change scheduled to be undertaken within the Council over the next year and managing resource will be key to achieving the desired transformation.

## **5. OPTIONS AND ANALYSIS OF OPTIONS**

- 5.1. Appendix 1, paragraph 3.3 table 5 contains the initial options appraisal.
- 5.2. The option to do nothing was discounted as Legal Services advised that the existing contracts do not provide a firm legal foundation.
- 5.3. The option to negotiate with the existing suppliers was discounted as it was advised this would expose the council to risk of legal challenge.
- 5.4. The option to build such complex systems solutions was discounted as high risk, high cost, and impossible for the council to do within required timescales.
- 5.5. Conducting a competitive tender was therefore recommended as the approach. This allows the council to comply with the duty to ensure the use of fair, equitable and transparent process for the letting of contracts. Further it allows early market engagement so that the council can explore opportunity and innovation in the areas where it wishes to commission solutions.
- 5.6. Further detailed options analysis, informed by early market engagement, then explored the relative advantages and disadvantages of sourcing a single integrated system as against 'best of breed' solutions for individual areas.
- 5.7. The board subsequently agreed that a competitive tender with multiple lots would provide the council with the best outcome.

## **6. CONSULTATION**

- 6.1. A focus group was run, examining the attitudes of residents to existing systems. The results of this informed the detailed options analysis.

## **7. EQUALITY IMPLICATIONS**

- 7.1. No negative equality implications have been identified within the procurement strategy proposed in Appendix 1.
- 7.2. As the Dialogue progresses, the programme will assess equality implications and, if required, complete an Equality Impact Assessment for the solutions being acquired.

## **8. LEGAL IMPLICATIONS**

- 8.1. The total value of the contracts to be let is above the service value threshold specified in the Public Contracts Act 2015 (as amended) (the "Regulations"). As specified in Appendix 1, the Council will publish a Contract Notice in the Official Journal of the European Union (OJEU) stating the process it will follow for the tender (the draft Contract Notice is set out in Appendix 3)

- 8.2. The proposed Competitive Dialogue would be in compliance with the Regulations.
- 8.3. Implications verified/completed by: (Pamela Igbo, Senior Solicitor, Triborough Shared Legal Services, 0207 641 4246)

## **9. FINANCIAL IMPLICATIONS**

- 9.1. As the recommended procedure for streams 1, 2, 3 and 4 is a Competitive Dialogue, final details of the financial implications will not be known until Final Tenders are submitted.
- 9.2. The results of the tender process will be reported, including the financial implications on award of the contract.
- 9.3. The award of the Payment Processing contract is aimed at rationalising the eco-system to minimise change and raise the possibility of future savings when the new finance system is embedded.
- 9.4. Implications verified/completed by: (Emily Hill, Head of Corporate Finance, 07826 531 849).

## **10. IMPLICATIONS FOR BUSINESS**

- 10.1. The Senior Responsible Officer for the programme is the Director for Resident and Business Satisfaction and the implications for businesses have been considered throughout the process.
- 10.2. The business implications for each service will be a key part of the dialogue and evaluation and will be reported on award of the contract.
- 10.3. Procurement of a resident and business Self-Service portal solution will facilitate major channel shift and ease of use for businesses.

## **11. COMMERCIAL & PROCUREMENT IMPLICATIONS**

- 11.1. The Head of Commercial Management is represented on the Programme Board and has been involved in the drafting of the Procurement Strategy & Business Case (Appendix 1). Consequently, with the participation from the corporate Commercial and Procurement Team in the Board, the programme has included appropriate commercial and procurement considerations and will continue to do so throughout the forthcoming processes.

### **Commercial implications**

- 11.2. The commercial implications, alongside technical, will be one of the two major areas of dialogue.
- 11.3. The procedure will focus on commercial issues such as price, lifetime costs, legal risk and develop a solution that addresses these to the Council's satisfaction.

- 11.4. The results of the tender process will be reported, including the commercial implications on award of the contract.

### **Procurement implications**

- 11.5. As the total estimated value of the contracts are above the statutory threshold contained in the Regulations, a regulated procurement exercise will be undertaken. The Programme Board's recommendations (as set out in Appendix 1) will be to use the Competitive Dialogue procedure for all 4 lots.
- 11.6. As described in Appendix 1, soft-market testing has been carried out in accordance with Regulation 40 of the Regulations. Following the publication of a PIN in OJEU (see 4.1 above) the Council received responses from 11 interested companies (including existing providers). A site visit to another London Council was included as part of the pre-procurement preparatory work.
- 11.7. Implications completed by: Alan Parry, Procurement Consultant. Telephone 020 8753 2581.

## **12. IT IMPLICATIONS**

- 12.1. The requirements for interoperability between systems and integration into business intelligence will be integral to the Competitive Dialogue with suppliers, thus supporting the council's IT and business strategies. This will allow a strong focus on ensuring the solutions will integrate with existing initiatives and services through, for example, open Application Programming Interfaces (APIs) and Open Data.
- 12.2. The procedure will require that all solutions proposed conform to government and council regulations and requirements, such as the forthcoming General Data Protection Act (GDPR) and Smart Working II.
- 12.3. Dialogue presents the opportunity to manage the IT implications of a solution from the start, gaining understanding through detailed discussion and ensuring suppliers understand requirements, ambition, and risk appetite.
- 12.4. Implications verified by: Veronica Barella, interim Chief Information Officer, 020 8753 2927

## **13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT - None**

### **LIST OF APPENDICES**

*Appendix 1: IMS Business Case and Sourcing Strategy Report*

*Appendix 2: Initial strategy released to suppliers through the procurement portal*

# **Integrated Management Systems Business Case and Procurement Strategy**

## **1. Executive Summary**

### **1.1. Recommendation and key action**

1.1.1. The Integrated Management Systems (IMS) programme will proceed to procure systems to support Resident and Business Self-Service, Housing, Revenues & Benefits, Electronic Document Management (EDMS), and Payments Processing & Income Management according to the procurement strategy contained in this paper.

### **1.2. Rationale**

1.2.1. This procurement exercise is required because, following the end of the contract with Hammersmith & Fulham Bridge Partnership Ltd (a JVC with Agilisys), a need was identified by Legal Services to revisit the contractual arrangements for many key systems in use at the council. Further, to support the Council's vision to be "the Best Council' and to work with its residents to get things done, implementing new solutions in these areas can facilitate transformational change in services, increase resident and business satisfaction, and enable efficiency savings through channel shift and automation (both externally and internally).

### **1.3. Scope**

1.3.1. The programme will be comprised of six streams of work

- Stream 1: Self-Service  
with the goal of procuring a self-service portal for residents and businesses to access council services.
- Stream 2: Housing  
with the goal of procuring an integrated Housing Management system.
- Stream 3: Revenues & Benefits  
with the goal of procuring an integrated Revenues & Benefits system.
- Stream 4: Electronic Document Management  
with the goal of procuring a corporate Electronic Document Management system.
- Stream 5: Payments Processing  
with the goal of procuring a multi-channel Payment Processing and Income Management solution.
- Stream 6: Programme Management and Governance  
coordinating the cross-council effort to procure the systems, including Corporate Finance, Legal, ICT and Procurement input.

## **1.4. Approach**

1.4.1. After consultation with stakeholders and detailed examination of the options, the board agreed the programme will use the following procurement approach for each solution to be sourced. The contract value range is indicative for use in the OJEU Contract Notice. It therefore contains headroom to cover all possible contract costs over the duration of the contract, including potential for implementation of the solutions beyond the initial scope, e.g. further services being available through the self-service portal. Savings aspirations from the current baselines will be a key focus of the dialogue process.

### **1.4.2. IMS – using Competitive Dialogue**

The procurement programme will be run using the Competitive Dialogue procedure in relation to all four lots.

- Lot 1: Self Service,
- Lot 2: Housing,
- Lot 3: Revenues and Benefits, and
- Lot 4: EDMS.

Lot 1 heads the list as this, in strategic terms, is likely to set the parameters for achieving integration across the other 3 lots as well as other services & ICT functions within the Council.

Separate dialogues will be run in parallel for each of the Lots, and each Lot will be evaluated discretely.

### **1.4.3. Payment Processing (Stream 5)**

Given the direction of travel agreed by the Council for the replacement Finance system, it is recommended that an award from a Crown Commercial Services framework agreement will be made to Capita Business Services Ltd. (the existing supplier of the current Payments Processing and Income Management system). This will rationalise all Payments Processing and Income Management on a single platform, reduce the amount of change Corporate Finance are required to undertake in the near term, and introduce some stability while the new Finance solution is implemented and bedded in.

## **1.5. Supplier Selection Criteria**

1.5.1. Suppliers will be selected to participate in the Competitive Dialogue procedure according to technical capability, including experience; and corporate standing, including economic and financial standing, business probity, health and safety, equalities and diversity, and sustainability.

## **1.6. Contract Award Criteria**

1.6.1. The contract award will be made on the basis of the Most Economically Advantageous Tender (MEAT) according to Price and Quality. Bidders will be assessed on the quality of their proposed solutions with regard to how they will achieve the outcomes required within the funding envelope available for the contract.



Table 2a Commercial and Technical weighting during the dialogue phase

Lot	Commercial (Price)	Technical (Quality)
Lot 1: Self Service	40	60
Lot 2: Housing	40	60
Lot 3: Revenues & Benefits	40	60
Lot 4: EDMS	40	60

Table 2b Commercial and Technical weighting when final tenders are sought

Lot	Commercial (Price)	Technical (Quality)
Lot 1: Self Service	50	50
Lot 2: Housing	60	40
Lot 3: Revenues & Benefits	60	40
Lot 4: EDMS	50	50

1.6.2. For all lots, the Commercial criterion will be further sub-divided into:

Table 3 Commercial sub criteria and weighting

Commercial Sub Criteria	Weighting
Lifetime Cost (Including price)	80
Legal and Risk	20

1.6.3. For all lots, the Technical criterion will be further sub-divided into:

Table 4 Technical sub criteria and weighting

Technical Sub Criteria	Weighting
Solution Functionality	50
Innovation and Adaptability	10
Contract Management	20
Design and Usability	20

## 1.7. Preferred Suppliers

1.7.1. Following evaluation of the submissions after the Competitive Dialogue, dependant on receiving acceptable bids, the programme will recommend a preferred supplier for each lot.

## **2. The service context**

### **2.1. Self-Service (Lot 1)**

- 2.1.1. Currently there are multiple Self-Service portals in use at the council and therefore no unified customer experience for residents and businesses. Housing and Revenues & Benefits both offer portal options for their existing systems with varying levels of take-up.
- 2.1.2. To support the work being done by service transformation initiatives, such as the Resident, Business and Visitor Satisfaction Programme, this strategy aims to provide support to programmes focused on bringing the council in line with modern service provision by:
- making the best use of digital, data and technology innovation,
  - enhancing and integrating digital and self-service channels to help services reduce demand and avoidable contact,
  - achieving channel shift targets and associated savings and efficiencies, and
  - improving the customer experience.
- 2.1.3. The Borough faces rising demand on, and rising expectations of, council services, from:
- a population of around 185,000
  - around 84,000 households
  - at 26%, a higher proportion of young adults than elsewhere in London
  - around 9,000 businesses with approximately 127,000 employees, and
  - around 75% of jobs in the Borough filled by workers commuting in

### **2.2. Revenues and Benefits (Lot 2)**

- 2.2.1. The service currently uses Academy from Capita Business Services.
- 2.2.2. All Revenues and Benefits services are provided in-house with around 100 staff members delivering the following functions.
- 2.2.3. Revenues:
- Billing, Administration & Recovery of Council Tax and Business Rates,
  - Council Tax and Business Rate Appeals, and Valuation List Changes, and
  - Civil Debt Billing and Administration.
- 2.2.4. The Revenue teams deal with all aspects of Council Tax and Business Rates, including post enforcement stages.

The Business Rates team also currently deal with one Business Improvement District in the borough.

The collection rate for Council Tax for 16/17 was 96.98% and for Business Rates was 98.61%.

- 2.2.5. Benefits:

- Housing Benefit,
- Council Tax Support, and
- Education Benefits. (Free school meals assessments and the discretionary clothing grant cheques)

2.2.6. The Benefits service administers a council tax support scheme where there is no cap on the council tax award (similar to the default scheme). The benefits service also manages a DHP budget - £850k in this current year. The Housing Benefit subsidy claim was approximately £140m last year. The service currently manages to process new claims in 23 days and changes in 14 days. The service has opted into the government's RBI initiative.

2.2.7. Currently there are:

- 88,000 live Ctax Properties
- 9,500 live NNDR Properties
- 350 live Bid Properties
- 18,000 live HB claims
- 15,000 live CTB claims
- 1,700 live EB cases

### 2.3. **Housing (Lot 3)**

2.3.1. The Housing service currently uses Northgate Housing from Northgate Public Services.

2.3.2. There are four divisions within Housing services:

- Housing Services (Housing Management),
- Property Services (Repairs, Planned Maintenance, and Capital Programme),
- Finance & Resources (Rents and Service Charges), and
- Housing Solutions (including Housing Options).

2.3.3. The Housing services are all provided in-house with the exception of the Repairs Ordering Service (including Planned Maintenance) which is outsourced to Mitie, Housing Management in the south of the Borough which is outsourced to Pinnacle, Asset Management and management of the capital programme, and former tenant arrears which is managed by a Council Joint Venture.

2.3.4. There are around 350 council staff currently using the existing Housing Management system. This includes around seventy staff outside the Housing department. Pinnacle also access the system but Mitie do not.

2.3.5. The current Housing Management System holds approximately 25,000 properties, roughly broken down into:

- |                           |        |
|---------------------------|--------|
| • Tenanted                | 12,300 |
| • Leasehold               | 4,900  |
| • Temporary Accommodation | 2,200  |
| • Garages and car spaces  | 3,400  |
| • Sheds                   | 1,700  |
| • Other                   | 500    |

This does not include HRA Commercial Units or HRA parcels of land, which are held on the councils Asset Management System.

#### **2.4. Electronic Document Management (Lot 4)**

- 2.4.1. There are currently multiple EDMSs in use across the council. Housing and Revenues & Benefits, as well as Fraud, use Information@Work from Northgate Public Services while other EDMS solutions are in use within line of business systems such as idox.
- 2.4.2. Information@Work is used by the departments to improve access, security, speed of retrieval and efficiency of unstructured information, document processing and records management either as a stand-alone system or integrated with other line of business applications. It also provides workflow to support case management.
- 2.4.3. All paper documents and records containing information that needs to be kept are scanned to the EDMS before being securely destroyed. Paper documents are only stored where there is a regulatory or legal requirement to retain them (e.g. to allow for forensic examination).

#### **2.5. Payment Processing and Income Management (Stream 5)**

- 2.5.1. The majority of Payments Processing and Income Management functionality is currently provided by Capita. Some functionality is provided through the Aggresso Finance system.
- 2.5.2. Payment Processing and Income Management enables multi-channel payment for users of council services, with the appropriate routing and allocation of monies.
- 2.5.3. Given the planned migration from Agresso to a SAP system that does not include Payment Processing and Income Management functionality, Corporate Finance plan to rationalise Payment Processing and Income Management on the Capita system before the migration to the target SAP system. This will allow a strategic decision to be taken for all Payment processing and Income Management once the new Finance system is implemented and stable.

### **3. Sourcing Strategy**

- 3.1. Following the ending of the contract with Hammersmith and Fulham Bridge Partnership (HFBP) (a joint venture with Agilisys), a need was identified by Legal Services to revisit a number of ICT contractual arrangements for key systems in use at the Council.
- 3.2. Further, this presented an opportunity to benefit from digital, data and technology innovation to support the Council's vision to be "*the best Council*" and to work with its residents to get things done. Implementing new solutions in the four lots identified in this Strategy will facilitate transformational change in services, increase resident and business satisfaction, and enable efficiency savings through channel shift and automation to be realised.

#### **3.3. Initial Options Appraisal**

3.3.1. An initial options appraisal determined that the preferred option would be to undertake a competitive tender process to establish a firm legal foundation for the contracted solutions and to exploit digital, data and technology innovation to gain efficiencies, improve effectiveness, increase resident and business satisfaction, and support new ways of working.

Table 5: Initial options appraisal

Option	Comment
Do nothing	<ul style="list-style-type: none"> <li>a) The existing contracts do not provide a firm legal foundation for provision of the systems going forward</li> <li>b) The existing systems do not allow the council to exploit the opportunities of digital, data and technology innovation that are available.</li> <li>c) The risk of challenge from suppliers increases the longer the existing contracts are relied on.</li> </ul>
Negotiate with the existing suppliers	<ul style="list-style-type: none"> <li>a) Public procurement law require local authorities to ensure the use of fair, equitable and transparent process for the letting and awarding of contracts.</li> <li>b) Undertaking single supplier negotiations with the existing providers exposes the council to the risk of legal challenge for non-compliance with statutory requirements.</li> </ul>
Build a solution in-house	<ul style="list-style-type: none"> <li>a) Building in-house system solutions to support these services would be a very high risk undertaking and would require extensive recruitment, management and development of specialist staff.</li> <li>b) It would require substantial effort over an extended timeline.</li> </ul>
Undertake a competitive tender process	<ul style="list-style-type: none"> <li>a) Conducting a competitive tender exercise is the accepted approach for local authorities to comply with their duties to ensure the use of fair, equitable and transparent processes for the letting and awarding of contracts.</li> <li>b) Proactive early market engagement allows us to engage with the market to explore opportunity and innovation in the areas where we wish to commission solutions, and for this to inform the procurement.</li> </ul>

### 3.4. Integrated Management Systems (IMS) Programme

3.4.1. The Integrated Management Systems (IMS) programme was set up to deliver this programme of work, and to source the required solutions.

3.4.2. To comply with the Council's Contracts Standing Orders (CSOs) a Service Review Team in the form of a governing programme board has been established (the Programme Board). The Programme Board is chaired by the Director of Resident and Business Satisfaction and comprises senior officers drawn from Housing, Revenues & Benefits, ICT and Procurement.

3.4.3. As a first stage, to help align service delivery in these areas with the Council's vision, the Programme Board committed to publishing a Prior Information Notice (PIN) in the Official Journal of the European Union (OJEU). The PIN was designed to engage with the Market in order to carry out soft-market testing. Only once the soft-market testing had been completed was the Programme Board able to identify the most effective, efficient and potentially economic long-term solution for the Council, and to produce a sourcing strategy for Cabinet approval prior to going out formally to the market.

### 3.5. Prior Information Notice (PIN)

3.5.1. A PIN without call for competition, reference number 2017/S 148-306475 was published in the OJEU on 4 August 2017, stating the council's intent to explore the options to go to market for systems solutions in the areas of Self-Service, Housing, Revenues & Benefits, Electronic Document Management, and Payments Processing & Income Management, and to undertake early market engagement.

### 3.6. Early Market Engagement

3.6.1. Following publication of the PIN, a programme of early market engagement was undertaken to inform the decision on sourcing strategy. This included meeting with a range of suppliers, from disruptive innovators to the established major vendors in these areas, to explore leading practice and opportunity in the marketplace. Meetings took place with the suppliers listed in the table below

Table 6: Supplier interest

Supplier	Self Service	Housing	Revs & Bens	EDMS
Aareon UK	√	√		√
Agilisys	√			
Capita Business Services	√	√	√	√
Civica UK	√	√	√	√
HCL Technologies UK	√	√		√
Netcall Telecom	√			√
Northgate Public Services		√	√	√
Victoria Solutions	√			
Firmstep	√			
Web Labs	√			
Orchard		√		

3.6.2. Additionally, a site visit to London Borough of Southwark was held to discuss their recent experience in implementing their customer self-service portal and a focus group session was run to explore residents' attitudes to existing service provision.

### 3.7. Positioning Analysis

3.7.1. Assessing the options with regard to complexity of requirements, attractiveness of business to suppliers, and potential impact on, and risk to, the council, positions the Self-Service, Housing, and Revenues & Benefits solutions as Strategic to delivery of the council's vision and operation, with Payments Processing and EDMS as key supporting operational solutions.

3.7.2. All are required for the council to operate efficiently, to deliver services effectively, and to support a move towards defining a new relationship with residents and businesses through exploiting digital innovation to encourage self-service and create operating efficiencies.

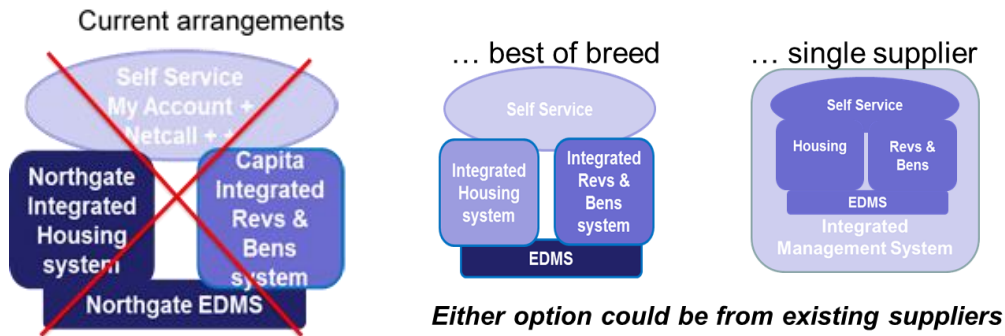
3.7.3. Figure 1 uses a model produced by Peter Kraljic in 1983 (known as the Kraljic Matrix) it shows the different positions that contracts can be defined as and the different approaches needed to source and manage them. The Board in initially considering the 5 lots placed them either within the strategic or bottleneck quadrants. In terms of the approach to re-procurement the sourcing strategy indicates that the use of a more engaging programme is necessary. Stage 1 (soft market testing) has provided information not previously available to the Council. Moving into the formal procurement phase (Stage 2) the positioning strategy suggests the use of either the Competitive Procedure with Negotiation or the Competitive Dialogue Procedure.

Figure 1: Positioning

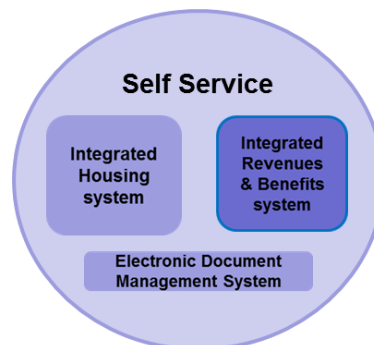


## 4. Systems architectural options

4.1. The Board, as part of the soft-market testing investigated the options of procuring either best of breed solutions or an integrated management system for Housing, Revenues & Benefits, Self Service and Document Management. The Board decided that the procurement will not be aimed at simply retaining or replacing the existing systems.



- 4.2. After lengthy debate, the Board decided to opt for the “Best of Breed” option rather than tendering for a single supplier. Through the use of the Competitive Dialogue procedure the programme will look to achieve an architectural option that has the Self-Service lot being the key to the overall Integrated Management Systems solution. Integration with the line-of business Housing and Revenues & Benefits solutions as well as with the supporting corporate EDMS will be key to achieving operational efficiencies and facilitating channel shift. The Dialogue will therefore emphasize the importance of Open APIs (Application Programming Interfaces).



## 5. Lotting Structure

- 5.1. The early market engagement identified that the choice of lotting structure, within a procedure that allowed dialogue with suppliers, would be key to encouraging strong competition, and delivering the best solution, particularly in the Self-Service area. In agreeing the lotting structure proposed, the team took a number of issues into account including:
- the risk it could restrict competition,
  - that it could make the execution of the contract excessively technically difficult or expensive,
  - the need to coordinate different contractors for different lots to avoid impact to service delivery,
  - the opportunity to offer different contract lengths as appropriate for different lots, and
  - ensuring the programme achieved the desired outcomes for the council in all of the areas through seeking ‘best of breed’ solutions.



- 5.2. **IMS Lot 1 Self-Service:** In order to deliver the transformational benefits of a unified customer experience while balancing this against the pace of innovation in this area, the Self-Service contract must be of sufficient length to fully implement the solution across council services but not deny the council future benefits of innovation. A contract for 7 years with break points included for the end of years 3 and 5 is recommended.
- 5.3. As a result of the soft-market testing exercise it has become apparent that Lot 1 has been identified as pivotal across the remaining lots 2, 3 and 4.
- 5.4. **IMS Lot 2 Housing Management:** In order to deliver the operational and efficiency benefits of an integrated Housing Management system, a contract for 12 years with break points included for the end of years 7 and 10 is recommended.
- 5.5. **IMS Lot 3 Revenues & Benefits:** In order to deliver the operational and efficiency benefits of an integrated Revenues & Benefits system, a contract for 12 years with break points included for the end of years 7 and 10 is recommended.
- 5.6. **IMS Lot 4 Electronic Document Management System (EDMS):** In order to deliver the operational and efficiency benefits of a corporate EDMS system, a contract for 7 years with break points included for the end of years 3 and 5 is recommended.
- 5.7. **Stream 5 Payments Processing:** To support the ambition to provide stability in payments processing while the new Finance system is installed and embedded, an award to Capita under CCS Framework RM1059 of a contract for 4 years with break points included for the end of years 2 and 3 is recommended. This stream will not be part of the larger IMS competitive tender process.

## 6. Procurement approach

- 6.1. The estimated contract value ranges of each of the 5 lots are given in the table contained in the exempt part of this report, along with the proposed duration of the contracts. It is proposed that the contract lengths will be for fixed terms with the ability to terminate the arrangements early rather than having term contracts with options to extend.
- 6.2. In drafting the Key Outcomes/Outputs that the bidders will need to address through the Dialogue will be the ability of the Council, at some future date, to modify the contracts during their term in accordance with Regulation 72 (paragraphs 1a & 1b).
- 6.3. Termination for exceptional circumstances (Force Majeure) clauses will be agreed during the Dialogue to address the possibilities of changes in regulations, organisation, and statutory obligations.
- 6.4. The contract value range is indicative for use in the OJEU Contract Notice. It therefore contains headroom to cover all possible contract costs over the duration of the contract, including potential for implementation of the solutions beyond the initial scope, e.g. further services being available through the self-service portal. Savings aspirations from the current baselines will be a key focus of the dialogue process.

- 6.5. The Board reviewed all the procurement procedures available to the Council. It determined that the Competitive Dialogue procedure was the most appropriate for the reasons previously identified and dismissed the following procedures as being inappropriate for this procurement:
- the procurement does not meet the criteria for the Negotiated Procedure without Prior Publication,
  - the procurement does not meet the criteria for using the Innovation Partnership procedure as there is no justification to believe that there is a need for the development of an innovative product or service that cannot be met by solutions already available on the market,
  - the Competitive Procedure with Negotiation is of value for procuring services or supplies that require negotiation on terms, and
  - the Open and Restricted Procedures were not considered appropriate due to the areas of uncertainty around requirements that remained and the restricted opportunity for innovation and design compared to that offered through dialogue.
- 6.6. Competitive Dialogue can be highly beneficial for organisations in circumstances where greater flexibility is needed, e.g. for complex and risky projects where bidders will have a role in defining the solution or where organisations cannot assess without in-depth dialogue what the market can offer in terms of technical, financial or legal solutions. It allows organisations to conduct a dialogue on the proposed offerings with bidders and co-design the solution.
- 6.7. Negotiations with the bidder identified as having submitted the tender presenting the best price-quality ratio may also be carried out to confirm financial commitments or other terms contained in the tender in order to finalise the contract. (In contrast to Competitive Procedure with Negotiation, specification requirements emphasise concentration on the organisation's needs without having to prescribe the nature, characteristics or solutions to be offered.)
- 6.8. The Council is required to, as a minimum, carry out the procurement process in an open and transparent way. It is also required to ensure that there is no distortion of the market and that there is equal treatment of all participants. In particular this requires it to publish beforehand the minimum requirements, award criteria and their weightings, which cannot not be changed during the actual process. The procurement process will be carried out through the *capitalEsourcing* portal using Bravo Solution software in order to ensure that the Council does not provide information in a discriminatory manner and thereby giving any of the participants an advantage over others.
- 6.9. The board agreed that a **Competitive Dialogue** was the appropriate procedure to follow for Self-Service, Housing, Revenues & Benefits, and EDMS.
- 6.10. To support the ambition to provide stability in Corporate Finance while the new Finance system is installed and embedded, the Board agreed that Payments Processing & Income Management will be procured through an award to Capita Business Services Ltd. via **Crown Commercial Services framework RM1059**, according to the requirements of that framework.
- 6.11. **The Competitive Dialogue procedure**

- 6.11.1. Competitive Dialogue is a flexible procedure, requiring strong programme management and procurement support. It is divided into 3 distinct stages (a) seeking expressions of interest; (b) undertaking dialogues with potential suppliers/providers; and (c) evaluating formal tenders at the conclusion of the dialogue phase.
- 6.11.2. The first stage requires the publication of a Contract Notice in the OJEU seeking expressions of interest. Once the contract notice is sent for publication, at least 30 days must elapse before the closing date for receipt of applications. The applications are evaluated, primarily in relation to their financial stability and previous experience. Only those that meet the qualification criteria can be considered to be invited to participate in Competitive Dialogue with the Council.
- 6.11.3. The qualification stage will create a shortlist of organisations for each lot who have demonstrated that they have sufficient capacity, financial and economic standing, and the ability to continue to the commercial and technical evaluation stage for that lot. In order to determine sufficient financial and economic standing and technical capacity organisations will be evaluated in accordance to the following criteria: economic and financial standing; business probity; health and safety; equalities and diversity, and record of delivery in this area.
- 6.11.4. IMS Competitive Dialogue: The IMS Competitive Dialogue will be conducted in multiple stages. The *capitalEsourcing* portal will be used to manage the process.
- 6.11.5. In relation to the second stage the Council must invite a minimum of 3 bidders (providing that there is sufficient following selection stage). There are no further set minimum timescales, although the Council must set out an indicative timeframe in the contract notice and/or a descriptive document.
- 6.11.6. For each lot, a minimum of three bidders and a maximum of five will be invited to participate in Dialogue. The Dialogue will be structured such that, should the authority wish it, e.g. If there are more than three bidders in the dialogue for a lot, it can be conducted in two Dialogue stages with a selection following the first stage to reduce the number of suppliers.
- 6.11.7. Usually the first part of the second stage is to seek an Outline Solution from those invited into the dialogue. Documentation provided to suppliers may indicate the Council's overall requirements, key outcomes or key outputs. This will include the requirements gathered by services. There may be general meetings with those suppliers to go over the project and the documents. It is following this interaction that outline solutions are sent to the Council to be evaluated.
- 6.11.8. Following this initial response, the authority may decide to have several rounds of dialogues in order to improve the solutions on offer and/or reduce the number of bidders participating in the process. If there are successive stages, the authority must ensure that in the final stage the number of solutions remaining make for genuine competition in so far as there are enough solutions or qualified bidders.
- 6.11.9. The Council must continue with the competitive dialogue process until it can identify the solution or solutions which are capable of meeting its needs. The authority must declare to

all bidders when the dialogue is being concluded and must invite each remaining bidder to submit their final tender on the basis of the solution(s) presented and specified during the dialogue. This becomes the third and final part of the procedure.

- 6.11.10. After the Invitation to Submit Final Tenders is sent out, the authority must set a deadline for receipt of final tenders. There is no minimum period specified but it must be proportionate, but usually no longer than a week, and sometimes less as by that stage all remaining bidders should be in a position to submit their final tenders.
- 6.11.11. **Preferred bidder stage:** It is proposed to identify a Preferred Bidder for each lot. This will allow officers to clarify minor inconsequential matters before award of the contract and make sure that the contract is ready for signature once the formal approval has been made by the Cabinet. Minor clarifications with the successful tenderers are permitted providing that it does not materially modify the essential aspects of the bids nor cause discrimination or distort competition.
- 6.11.12. **Evaluation:** A formal evaluation, based upon the pre-published award criteria, will follow the close of each stage in the dialogue process as well as at the end of the procurement process when final bids/tenders are invited. The purpose of formal evaluation at the end of each of the dialogue stages is to determine whether all bidders are to remain in the process of whether there will be a reduction in the bidders to be taken forward to the next stage.
- 6.11.13. **Local Economic and Community Benefits** will be provided through more efficient and effective service to local residents and businesses. Accessibility challenges and usability will be an integral dimension of the evaluation.

## 7. Contract Award Criteria

- 7.1. The approach to the use of Award Criteria will be designed to fluctuate between the dialogue stage and the award stage. These criteria are set out in section 1.6 above.
- 7.2. **Lot 1 Self-Service and Lot 4 EDMS:** During the actual dialogue phase it is proposed to set the evaluation criteria at 60% quality and 40% price. The aim is to focus on the quality aspects that the Council would like to see as an outcome. However, when it comes to the award the commissioners believe that price and quality are of equal importance in awarding the contract for these lots. In particular, the potential for savings and efficiencies to the council arising from the opportunity for a customer access portal to encourage self-service and accelerate channel shift across services offers far greater potential savings than a reduced licence cost for the portal. It is on this basis that the recommended award for the contract be based commercial and technical evaluation of 50/50.
- 7.3. **Lot 2: Housing and Lot 3: Revenues & Benefits:** During the actual dialogue phase it is proposed to set the evaluation criteria at 60% quality and 40% price. The aim, like Lots 1 & 4 is to focus on the quality aspects that the Council would like to see as an outcome. However, the commissioners recommend that the contract be awarded on the basis of a commercial and technical evaluation of 40% quality and 60% price.

Table 3 Commercial and Technical weighting

Lot	Commercial (Price)	Technical (Quality)
Lot 1: Self Service	50	50
Lot 2: Housing	60	40
Lot 3: Revenues & Benefits	60	40
Lot 4: EDMS	50	50

- 7.4. **Commercial criteria:** Within the Commercial criterion, the bidders' responses will be assessed according to the following sub-criteria, with weightings applied:

Table 3 Commercial sub criteria and weighting

Commercial Sub Criteria	Weighting
Lifetime Cost (Including price)	80
Legal and Risk	20

- 7.5. **Lifetime cost:** Given the nature of the solutions being procured, the lifetime cost to the council will be comprised of a number of elements in addition to the purchase price from the suppliers. The procurement process will therefore evaluate on a Whole of Life cost basis. This will allow, as appropriate, the inclusion of such costs as:

- Acquisition - Procurement, Purchase price, Delivery, Installation, Commissioning, Migration, Testing;
- Ownership – Licences, Upgrade and Maintenance, Warranty, Training;
- Operation – Infrastructure, Testing, Audit/Inspection, Ordering and Invoicing costs, Contract Management;
- Disposal – Equipment, Decommissioning, Replacement, Depreciation, Migration costs.

- 7.6. **Technical criteria:** Bidders will be assessed on the quality of their proposed solutions with regard to how they will achieve the outcomes required within the funding envelope available for the contract. Solutions will be evaluated against the key quality criteria, with the following weightings applied:

Table 4 Technical sub criteria and weighting

Technical Sub Criteria	Weighting
Solution Functionality	60
Innovation and Adaptability	10
Contract Management	20
Design and Usability	10

## 8. The Tender Appraisal Panel

- 8.1. **Tender Appraisal Panel (TAP):** The IMS Programme Board is currently acting in the capacity of the Service Review Team and will continue to manage the process through a dedicated Programme Manager. The Board will delegate the evaluation of the submissions to the TAP which will be chaired by the SRO.
- 8.2. The TAP will be comprised of representatives from the services and programme team. Subject Matter Experts from the services will provide input to each lot where required as appropriate. This may include Residents and/or Businesses acting in the capacity of Subject Matter Experts in areas where they have direct involvement, e.g. Housing. Legal Services and Corporate Finance will provide support and evaluation where required. Guidance will be provided to this panel as to the process of evaluation and moderation to ensure consistent and accurate assessment of submissions. In principle, the evaluation will be conducted as follows:
- 8.3. **Commercial Evaluation**
1. Corporate Finance will assess the lifetime costs and produce a report to inform the evaluation.
  2. Legal Services will assess the Legal aspects and produce a report to inform the evaluation.
  3. The TAP members will then meet to agree a consensus score for Legal and Risk, and to accept the Lifetime Cost report from Finance
  4. Any bidder falling outside the affordability envelope may be rejected as unacceptable.
  5. Any bidder submitting a bid judged to be abnormally and unjustifiably low in price may be rejected as irregular.
  6. Any bidder scoring less than 6 out of 10 on the Legal and Risk criteria may be rejected.
  7. The weightings will then be applied to the Lifetime Cost and consensus scores for Legal and Risk to give each bidder a mark out of 100.
  8. The appropriate weighting for the lot will then be applied to this score – 50% for Lot 1 and 60% for Lots 2, 3 and 4 - to calculate the Commercial score.
- 8.4. **Technical Evaluation**
1. The submissions will be marked independently by members of this panel.
  2. Each TAP member will mark each submission out of ten for each of the technical criteria.
  3. The TAP members will then meet to agree a consensus score out of five for each criterion for all submissions.
  4. Any bidder scoring less than 6 out of 10 on any one of the quality criteria may be rejected.
  5. Any bidder failing to meet any mandatory functional requirements may be rejected.
  6. The weightings will then be applied to the consensus scores for each technical criterion to give each tenderer a mark out of 100
  7. The appropriate weighting for the lot will then be applied to this score – 50% for lots 1 and 4, and 40% for Lots 2 and 3 - to calculate the Technical score.
- 8.5. To complete the evaluation, each bidder's Commercial and Technical scores will then be added together and the bidder with the highest combined score in each lot will be recommended as preferred supplier for that lot.

## 9. Programme management and governance

- 9.1. The programme was established under the auspices of an IMS Programme Board comprised of stakeholders from Housing, Revenues & Benefits, Corporate Finance, ICT and Procurement. This board is chaired by the Director of Resident and Business Satisfaction as SRO. The programme was initially structured to gather requirements and draft this sourcing strategy for approval by Cabinet. Subject matter experts and stakeholders from the services worked with business analysts in the programme team to collate the requirements in each area such that they were fit for purpose for defining this sourcing strategy.
- 9.2. Following approval of this strategy the programme will be comprised of six streams of work:
- Stream 1: Self-Service  
with the goal of procuring a self-service portal for residents and businesses to access council services. IMS Competitive Dialogue Lot 1
  - Stream 2: Housing  
with the goal of procuring an integrated Housing Management system. IMS Competitive Dialogue Lot 2
  - Stream 3: Revenues & Benefits  
with the goal of procuring an integrated Revenues & Benefits system. IMS Competitive Dialogue Lot 3
  - Stream 4: Electronic Document Management  
with the goal of procuring a corporate Electronic Document Management system. IMS Competitive Dialogue Lot 4
  - Stream 5: Payments Processing  
with the goal of procuring a multi-channel Payment Processing and Income Management solution. This solution will be procured using Crown Commercial Services (CCS) Framework RM1059
  - Stream 6: Programme Management and Governance  
coordinating the cross-council effort to procure the systems.

Corporate Finance, Procurement, Legal and ICT will provide programme-wide support, while subject matter experts will be drawn from the service areas.

### 9.3. Indicative time table

Table 9: Indicative Time Table

<b>Activity</b>	<b>Date</b>
Cabinet Approval	January 2016
Stream 5: Payment Process Procurement	February 2018
Publish Contract Notice to begin Competitive Dialogue	March 2018
Shortlist selected for each lot	April 2018
Begin Dialogue for all lots	May 2018
Begin Evaluation	August 2018

<b>Activity</b>	<b>Date</b>
Preferred Bidder stage	September 2018
Recommend Preferred Supplier for each lot	Sept/Oct. 2018
Award Contracts	October 2018



## London Borough of Hammersmith and Fulham

### Possible transition to a single view of customer procurement approach

#### For the re-procurement of 5 key integrated management systems

#### Introduction

The Council is committed to ensuring value for money, pursuing efficiencies and improving our service to residents and businesses. As part of a programme of reviewing existing contractual arrangements, it is looking at five major back office ICT service contracts: -

- Housing management
- Revenues and Benefits, Council Tax and National Non-Domestic Rates (NNDR)
- H&F Direct (digital access platform)
- Electronic Document Management System (EDMS); and
- Income management

The Council expects the procurement to start in the first part of 2018.

#### Rationale

As part of its drive to ensure that replacement back-office systems are economic, effective, and efficient, the Council is using the provisions contained in Regulation 40 of the Public Contracts Regulations 2015 (as amended) to carry out preliminary market consultations (soft market testing). This allows the Council before commencing a procurement procedure to conduct market consultations with a view to preparing the procurement and informing economic operators of their procurement plans and requirements. For this purpose, the Council may, for example, seek or accept advice from independent experts or authorities or from market participants. It should be noted that such advice may be used in the planning and conduct of the procurement procedure, provided that it does not have the effect of distorting competition and does not result in a violation of the principles of non-discrimination and transparency.

In accordance with the principles of Regulation 40 the Council on 1<sup>st</sup> August 2017 sent for publication a Prior Information Notice (PIN) to the Official Journal of the European Union (OJEU) and made arrangements for a similar publication to appear in the UK's Contracts Finder portal.

During internal discussions concerning the publication of the PIN it was noted that there were a number of systems which provide an end to end view of the customer. Furthermore, the systems had key dependencies, such as EDMS, which supported the need for a joined up procurement strategy.

The full scope of systems currently under consideration are:

- **Housing Management.** Replacement system parameters must be capable of dealing with voids management, allocations (including housing advice), some repairs, rent accounts and

rent arrears, tenancy services, property purchase and service charges around a core people and property database. There are approximately 350 users

- **Local taxation: Revenues and Benefits, Council Tax and NNDR.** The replacement system must be able to manage both payments of Housing Benefits and the collection of Council Tax and National Non Domestic Rates (also known as Business Rates).
- **Self Service (H&F Direct).** This is the “front-facing system for the Council and allows the public to perform a variety of service transactions via a single sign-on account. A replacement platform may either be a standalone or be incorporated as part of a suite of software solutions forming part of another application.
- **Electronic Document Management System (EDMS).** Primarily used by departments responsible for local taxation and housing management, as well as secondary uses in local parking control. The future use of EDMS may be applied across the Council’s infrastructure. A replacement platform may either be a standalone or be incorporated as part of a suite of software solutions forming part of another application.
- **Income Management.** This system provides an administration and payment management module which is used across Finance and Corporate Services. A replacement platform must be able to provide a similar service and may either be a standalone or be incorporated as part of a suite of software solutions forming part of another application.

The Council wishes to:

- Engage with suppliers and independent industry experts through soft market testing. This will allow the Council to explore the functionality of existing arrangements and examine whether the systems should be re-procured in their existing formats or whether there are sufficient synergies for a more integrated approach.
- Consider a future way of working, including more customer orientated services around mobile working and self-service;
- Have a “value for money” approach that could offer savings by enabling suppliers to bid for joint lots rather than individual systems;
- Transition toward a single view for the customer by aligning the key systems that provide the interface with residents.

Next Steps – Soft Market Testing

Between now and 1<sup>st</sup> September 2017 the Council wants to hear from any ICT service providers, market participants and other independent experts on possible options for the re-procurement of these 5 key systems. During the latter part of August and during the autumn the Council will engage with those organisations and other economic operators that have expressed an interest in providing the Council with advice on designing the specification(s) prior to the re-procurement of these system(s). This may take the form of a Meet the Buyer event, details of which will be given to those who respond.

It should be noted that information contained in this briefing note does not constitute any commitment by the Council to undertake any procurement exercise in the future and is not a call for competition. Whilst the Council is interested, as part of its soft market testing exercise, to hear from interested organisations it will not be bound to accept any proposals offered. Any possible future procurement

undertaken by the Council will be carried out strictly in accordance with any relevant obligations under the 2015 Regulations (as amended).

When the Council has concluded this investigatory process it will proceed to prepare a Report containing a Procurement Strategy & Business Case for consideration by the Council's Cabinet in accordance with its Contracts Standing Orders. This Report will recommend the approach to be adopted for the re-procurement exercise.

To contact the Council about this opportunity please complete the questionnaire in the portal before the date shown

.