

## Appendix B



Report for:  
**ACTION/INFORMATION V Final02/11**

Item Number:

<b>Contains Confidential or Exempt Information</b>	<b>Yes Part Appendix 1</b>  Appendix 1 contains financial details of the proposal and legal advice which are not for publication and are Exempt Information by virtue of Paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (see para.10 to the Access to Information Procedure Rules)
<b>Title</b>	Procurement of an Out of Hours Telephone Service
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<b>Portfolio(s)</b>	Cllr– Yvonne Johnson – Finance and Performance
<b>For Consideration By</b>	Cabinet
<b>Date to be Considered</b>	14 <sup>th</sup> November 2017
<b>Implementation Date if Not Called In</b>	December 2017 To be confirmed
<b>Affected Wards</b>	“All”
<b>Keywords/Index</b>	Out of hours telephone service

### **Purpose of Report:**

To seek approval to award an overarching agreement to provide a shared out of hours customer call handling service to the participating organisations listed in paragraph 2 and a services agreement for out of hours customer call handling services to Ealing Council to the successful tenderer Capita Business Services Limited, following a full procurement exercise.

## **1. Recommendations**

1.1 It is recommended that Cabinet authorises the Executive Director of Environment and Customer Services:

- a) to award the Out of Hours Customer Call Handling Service overarching agreement to Capita Business Services Limited for a duration of 5 years with an option to extend for two periods of one year each, with a total current value of approximately £7.00m over the 7 year period;
- b) to enter into the Out of Hours Customer Call Handling services agreement between Ealing and Capita Business Services Limited, with a

## Appendix B

total Ealing's contract value for the services agreement to be in the region of at £0.646m over a 7 year period on the completion of the transition and implementation process.

- 1.2 It is recommended that Cabinet delegates authority to the Executive Director of Environment and Customer Services following consultation with the Director of Legal and Democratic Services and the Director of Finance in order to:
  - a) finalise the terms of the overarching and service agreements; and
  - b) enter into a memorandum of understanding (MOU) with the other participating organisations.
- 1.3 It is recommended that Cabinet delegates authority to the Executive Director of Environment and Customer Services to manage the overarching agreement on behalf of all the participating organisations pursuant to the MOU, costs of which will be recharged equally amongst the participating organisations.
- 1.4 It is recommended that Cabinet delegates authority to the Executive Director of Environment and Customer Services to commence and finalise the transition and implementation process with Capita Business Services Limited prior to entering into the services agreement referred to in recommendation 1.1 (b).

## 2. Reason for Decision and Options Considered

### 2.1 Background

#### Contractual Set Up

The structure of the arrangements is governed by;

- a. An overarching agreement
- b. Services agreements
- c. Memorandum of Understanding

The overarching agreement is between Ealing Council and Capita Business Services Limited and deals with issues which impact on all the participating organisations (PO) including overall governance and management, implementation and set up of the call handling IT system, mobilisation, the process of each PO to enter into its services agreements, best value review, discounts, call volume changes amongst others. The total value of the overarching agreement is considered to be the total sum of all the services agreements that the POs existing and future will enter into over its term. For the purposes of this report the value inserted is that of all the services agreements for the existing POs who are identified in a paragraph below.

Each PO including Ealing Council will enter into a services agreement with Capita on completion of the implementation and mobilisation and this agreement sets out the terms under which the services will be provided.

## Appendix B

The MOU will be entered into by all the POs and will govern the relationship between all the POs and Ealing in relation to the management of the out hours service.

### Current Contractual Arrangement

There is an existing contract for an Out of Hours call handling service, which has provided major financial and service benefits for Ealing and the twelve participating organisations. Ealing has been the lead organisation in respect of management and contract owner since the first contract, providing a joint Out of Hours service in October 2008. The current contract commencement date was October 2012 and is due to expire on the 30th September 2018.

The current service is delivered under the framework agreement which commenced in October 2012 and is provided by General Dynamics Information Technology Limited (GDIT) from a call centre located in South Yorkshire.

Previous to entering into the existing framework agreement, the average cost of providing an Out of Hours service across each participating organisation was approximately £0.258m per annum. In comparison Ealing's average cost was £0.255m per annum, based on the average cost of its in-house service.

The annual cost of providing the service has reduced significantly since joining the joint contract agreement. Under the existing contract agreement, the average cost across the participating organisations is £0.100m and Ealing pay approximately £0.096m per annum.

The current contract has enabled Ealing to have a consistent effective and efficient service with continuous minimal costs.

In addition to the financial benefit the current contractual arrangement has also achieved the following benefits:

- Improved call waiting times
- Reduced call handling times
- Raised service standards
- A complete audit trail for all back offices
- More efficient processes
- Partnership and collaborative working enabling end to end service improvements.

The service has been successful, such of which is that the participating organisations are wishing to continue with a similar arrangement.

## Appendix B

### Participating Organisations (PO)

The Lead Client Contract Monitoring Manager role was assigned to Ealing by agreement amongst the current participating organisations. The key objectives for this role are:

- Drive down costs;
- Monitor contract performance;
- Producing service quality reports for the partnership and Ealing's Contract Board;
- Offering legal and finance advice and support to the partnership in our role as the lead borough;
- Over see both management and contract board meetings;
- Support individual participating organisations with service changes and delivery;
- Negotiate and liaise with all parties;
- Continuously drive for improvement with the service delivery model;
- Manage the partnership funding and budget for the contract; and
- General contract monitoring activity.

The participating organisations are required to make monthly financial contribution towards this role, for 2017/18 this equates to £106,800 (£8,900 per organisation for the year). This money is used to fund the role, undertake procurement and the best value review in year 3.

Participants currently include Barnet, Enfield, Hammersmith & Fulham, Haringey, Havering, Homes for Haringey, Peabody Housing, Royal Borough of Kensington & Chelsea, Tower Hamlets, Waltham Forest and Wandle Housing. Wandle Housing have confirmed that they will not be participating in the future contract, however Tower Hamlets Homes will be replacing them as a separate entity from Tower Hamlets Council.

## **2.2 Options Considered**

In previous report to Cabinet the partnership considered the following three options and agreed to take forward Option A following approval from the partnership in summer of 2016. This report is an implementation of that decision.

1. Option A - As a collective group, seek a service provider for a further contract
2. Option B - All participants to set up and operate their own in-house operation
3. Option C – All participants/organisations to tender individually

## Appendix B

### 2.3 Procurement Process

Whilst the current contract has proven to be a great success, GDIT have made a corporate decision to retract from being a contact centre provider and to concentrate on their core business which is technology and defence. Hence the reason why they did not submit a tender for the new contract.

Permission was originally obtained from Cabinet to tender the Service on 15<sup>th</sup> September 2016; the procurement exercise has now been completed and contract award is required.

Following the approval from Cabinet to invite and evaluate tenders, a competitive procurement exercise was undertaken using the competitive dialogue procedure under the Public Contract Regulations 2015.

#### Expected Outcome

The key outcome of the procurement process which the participating organisations expected were:

- Value for money;
- To pay no upfront costs or fees with regards to implementation or TUPE, with an expectation for these to be imbedded within the contract price;
- Three year best value review; and
- A modern and flexible service using current technology with the ability to change in line with business needs of individual participating organisations and the partnership over the five year period.

#### Service Being Procured

The new contract is taking into account digitalisation and technological advancement which is something that all participating organisations are working towards, especially around contacts and channel shift.

The following are changes to the current service contract and pricing model that have been negotiated during the tender process. These provide the participating organisations the ability to reduce costs further whilst maintaining quality and efficiency of service delivery:

- Email hand offs to back office staff and contractors;
- Email day to day management;
- Automated call handling options for non-urgent enquiries;
- Integration with back office systems;
- Customer satisfaction and market research surveys which can be utilised by the day time service delivery;
- Ability to monitor and respond to social media i.e. twitter, which will also assist in managing call volumes; and
- Electronic line testing which provides the ability to diagnose telephone line failure at no additional charge.

## Appendix B

### Competitive Dialogue Process

The investment in a competitive dialogue process enabled the participating organisations to shape the emerging commercial offer of the bidders in the dialogue room. Thus, bidders shared their business case and it was possible to interrogate this for evidence of risk- based pricing. Where risk- based pricing was detected the participating organisations had options of;

- (a) taking the risk to reduce the price;
- (b) providing more information to reduce the risk in the eyes of the bidder; or
- (c) re- profiling the service to remove the risk.

Thirteen meetings were held over a course of 4 months.

### Evaluation of Bids

Bidders had 4 weeks to submit their bids, following the end of dialogue, and the tender return date was Monday 18<sup>th</sup> September 2017.

Details of the evaluation criteria and score are set out in Confidential Appendix 1.

As per the overall evaluation score for Capita's price submission at least meets the requirements whilst the quality score generally exceeds the Council's requirements.

## **3. Key Implications**

3.1 Previously the service was restricted by the nature of the OJEU notice, limiting the number of participating organisations joining the arrangement. The OJEU for the new services contract expands the organisations who can join the arrangement to include also all UK Councils and Housing Sector Arm's Length Management Organisations (ALMO) who offer an out of hours service and the new service specification provides significant potential to expand the service in the following areas which will enable cost reductions and service efficiency through:

- Expanding the take-up of the out of hours service by public sector organisations in London
- The development and enhancement of the service itself, for example by improved use of technology.
- Enable more joiners from, the Midlands, Sunderland, Scotland and Wales

3.2 The previous contract provided participating organisations to opt for daytime call handing, which is no longer an option under the new contract specification.

## **Appendix B**

### **3.3 Key Risks and Benefits**

Due to commercial sensitivity of the offer from Capita details of the key risks and benefits are set out in Confidential Appendix 1.

## **4. Financial**

### **4.1 Cost of Procurement**

The procurement of the services will be funded by all of the Participating Organisations as they pursuant to the terms of an existing MOU with Ealing. Whereby a yearly contribution has been paid to Ealing since the commencement of the current contract in 2012 of £0.009m, this payment will continue throughout the duration of the current contract. There is a further understanding that should any interested party contractually enter into the current shared service prior to October 2018 that they would then contribute £0.009m pa.

Ealing's finance team on behalf of all participants will continue to manage the budget. The funds will be used for legal, procurement, promotion, management of various meetings, project resource and ICT.

A review is currently being undertaken to determine the annual contribution to the Council for continuing to manage the joint contract over the next three years until the third year Best Value Review. Currently £0.107m is paid by the all the participating organisations to the Council (including Ealing's share) which is mainly used to fund officer time in managing the contract. The funds are held separately on the Council's ledger, with any surplus rolled forward and additional costs recharged to the participating organisations on an annual basis.

### **4.2 Transition Costs**

The cost of building up the system, including software licences, configuration, project management and the updating and commissioning of scripts is £1.5m. This includes the upgrade of the current Microsoft licences to the latest version (In Ealing's name) and the migration to a secure cloud environment. The cost are incorporated within the call unit price.

The uniform transition costs act as a disincentive against participating organisations terminating their services agreements early and leaving the collaborative arrangement.

### **4.3 Contract Value for the Partnership**

The current contract costs has cost the Partnership on average £1m per year. Under the new contract arrangement it is estimated to cost the Partnership £1.205m per year.

## Appendix B

### 4.4 Contract Value to Ealing

Ealing are currently to pay an estimated sum of £0.096m in 2017/18 for approximately 40,000 calls. Over the current contract period (2012-2017) Ealing have reduced their call volume by 6,000 and anticipate for the call volume to remain at the current levels.

Under the new contract Ealing will approximately pay £0.092m per year for the same number of calls and will see an annual cost reduction of £4k.

	£m								
	2018/19 (part year)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (part year)	Total
Contract Cost at 10,199 calls	£0.046	£0.092	£0.092	£0.092	£0.092	£0.092	£0.092	£0.046	£0.646
2017/18 Budget	£0.020	£0.041	£0.041	£0.041	£0.041	£0.041	£0.041	£0.020	£0.284
<b>Budget Pressure</b>	<b>£0.026</b>	<b>£0.052</b>	<b>£0.052</b>	<b>£0.052</b>	<b>£0.052</b>	<b>£0.052</b>	<b>£0.052</b>	<b>£0.026</b>	<b>£0.362</b>
Efficiency Savings from within department	£0.026	£0.052	£0.052	£0.052	£0.052	£0.052	£0.052	£0.026	£0.362
<b>Net Budget Pressure</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>

The budget shortfall will be fully met from management efficiency savings currently being implemented for 1 April 2018, from across the department.

Due to commercial sensitivity details of the unit prices and contract costs are set out in Confidential Appendix 1.

## 5. Legal

5.1 A competitive dialogue tender process was followed in order to let the contract, which was compliant with the Council's own Contract Procedure Rules and the Public Contracts Regulations 2015 (as amended). The competitive dialogue procedure permits negotiations with the bidder identified as having submitted the tender presenting the most economically advantageous tender to be carried out to confirm financial commitments or other terms contained in the tender in order to finalise the contract. Any such clarification, specification, optimisation, additional information or negotiations must not involve changes to the essential aspects of the tender or the procurement where such changes are likely to distort competition or cause discrimination.

5.2 For Ealing and the other current participants there were no immediate implications for staff as the Out of Hours Service is operated externally,



## Appendix B

however if in the future any more services were to be included under the new contract then the advice from Legal Services is that TUPE could apply, however any permanent staff would be offered redeployment where possible within the Council's/organisations.

### 6. Value For Money

- 6.1 The decision to move the out of hours service to the joint out of hours service was made by cabinet in November 2007. The main reason for doing so was due to the high cost of the in-house out of hours operations and the need to maintain a basic level of staffing and cover over very long hours.
- 6.2 It has been proven that recruiting to a service outside of what is deemed to be normal working hours can be very problematic, with regards to staff retention, reliability and commitment together with high sickness levels, can hinder the ability to provide continuity of service. Due to the importance of the Out of Hours service in relation to the vulnerable customers that it may impact upon and the fundamental wellbeing of the borough in respect of vital key life and limb back office services; it is strongly advised by officers to continue with the joint out of hours service approach to ensure Ealing's residents are safeguarded.
- 6.3 Ealing along with the other current aforementioned participants do not have the provision, neither financial nor staffing resource to move the current out of hour's service back in-house. Therefore a retender for a Framework Agreement for the service is required in accordance to the EU Procurement Regulations. The current contract is due to terminate on the 30th September 2018.
- 6.4 As prices have been fixed since the Best Value Money Review in October 2015, the Partnership were aware of a probability of a price increase.
- 6.5 The new contract is estimated to provide Ealing with annual efficiency savings of £4k. Due to improvement in technology, further cost reduction is anticipated by the Council, following completion of Best Value Review in year 3.
- 6.6 Call handling volumes for London Borough of Hammersmith & Fulham have been omitted as they recently joined the service and went live on the 31<sup>st</sup> August 2017.
- 6.7 In addition to the current joint out of hours shared service there is interest from other organisations from, the Midlands, Sunderland, Scotland and Wales to join the arrangement. Over the last three years Ealing has been approached by various organisations outside of the current remit. Currently the arrangement is restricted to members of the London Contracts and Supplies Group (LCSG), which include all 33 London Boroughs, Housing Associations, Arm's Length Management Organisations and public bodies in London and south-east England, as well as other public bodies and members of AGMA located in the Manchester area. By including all UK Councils and Housing Sector Arm's Length Management Organisations (ALMO) who offer an out of hours service in

## **Appendix B**

the OJEU it will make this a national service. It will also make the service more appealing to prospective suppliers in the future when we retender in 5 or 7 years' time. It is imperative to attract suitable prospective suppliers, as private sector investment and technology in the OOH's service will develop and provide further collective efficiencies.

### **7. Sustainability Impact Appraisal**

7.1 Not applicable.

### **8. Risk Management**

8.1 Use of the joint out of hours shared service is a low risk opportunity to increase capacity and reduce costs.

8.2 There is a risk of the project not being delivered on time and contingencies are in place to ensure that key dates can still be achieved.

### **9. Community Safety**

9.1 Not applicable.

### **10. Links to the 6 Priorities for the Borough**

- Prosperity – Ealing reputation as the leader in providing a successful cost effective OOH's service that has a proven record of its overall success.
- Safer – improved quality and safeguarding of vulnerable adults, children, homelessness persons and assisting the police and the emergency planning team in times of borough emergencies.
- Healthier – enabling customers to access services that are pertinent to their quality of life outside of normal working hours when they, are at their most vulnerable.
- Cleaner - enabling customers a safer home environment as the service works across all service area, inclusive of Street Services, High Ways, Parking and the like.
- Accessible – This contract will enable 24/7 access to key services for residents.

### **11. Equalities, Human Rights and Community Cohesion**

11.1 EIA previously completed

### **12. Staffing/Workforce and Accommodation implications:**

12.1 There is currently a team of 38 staff employed by the incumbent supplier however; in accordance with option A TUPE would not apply.

### **13. Property and Assets**

## **Appendix B**

13.1 There would be no impact on Ealing's property or assets.

### **14. Any other implications:**

14.1 None.

### **15. Consultation**

15.1 None.

### **16. Timetable for Implementation**

- Current out of Hours service Cabinet permission to award contract October 2017.
- Supplier due diligence period
- Standstill period & tenderer debriefs,
- Contract signature
- Implementation Contract Start 1st October 2018

### **17. Appendices**

Confidential Appendix 1 – Competitive Dialogue, Tender Evaluation, Key risks/benefits and financials

### **18. Background Information**

18.1 Permission to Procure Cabinet Report dated 15<sup>th</sup> November 2016 and the Commercial Strategy 27<sup>th</sup> September 2016.

## Appendix B

### Consultation (Mandatory)

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
<b>Internal</b>				
e.g.	Executive Director			
Chuhr Nijjar	Senior Contracts Lawyer, Legal & Democratic Services	29/06/2017	02/11/2017	Throughout
Shabana Kausar	Finance Business Partner - Consultancy	29/06/2017	02/11/2017	Throughout
Flora Osiyemi	Finance Business Partner - Consultancy	19/10/2017	02/11/2017	Throughout
Chris Neale	Strategic Finance Partner – Accountancy	19/11/2017	02/11/2017	Throughout
Rakhee Vyas	Commercial and Procurement Partner	29/062017	01/10/2017	Throughout

### Report History

<b>Decision type:</b> EITHER: Key decision OR Non-key decision OR For information (delete as applicable)	<b>Urgency item?</b> Yes
Report no.:	Report author and contact for queries:
	First and surname, job title Michelle Bernard Contract & Project Manager Ext: 6522