

	<b>AGENDA ITEM NO.</b>
<b>Report Cover Sheet</b>	
<b>Name of Meeting:</b>	Executive
<b>Date of Meeting:</b>	25 <sup>th</sup> , March 2008
<b>Report Title:</b>	Customer Relationship Management System Contract Award
<b>Summary of report:</b>	Report recommending that the renewal of the Customer Relationship Management contracts for the Warwickshire Direct Partnership is procured from a single preferred supplier (Northgate Information Systems) via an EU compliant framework agreement.
<b>For further information please contact (report author);</b>	Tony Isaacs – 01926 456238 <a href="mailto:Tony.Isaacs@warwickdc.gov.uk">Tony.Isaacs@warwickdc.gov.uk</a> Andrew Jones – 01926 456830 <a href="mailto:Andrew.jones@warwickdc.gov.uk">Andrew.jones@warwickdc.gov.uk</a>
<b>Business Unit:</b>	Customer Information and Advice
<b>Would the recommended decision be contrary to the policy framework:</b>	<del>Yes</del> /No
<b>Would the recommended decision be contrary to the budgetary framework:</b>	<del>Yes</del> /No
<b>Wards of the District directly affected by this decision:</b>	
<b>Key Decision?</b>	Yes/ <del>No</del>
<b>Included within the Forward Plan?</b>	Yes/ <del>No</del> (If Yes, include reference number) 71
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	<del>Yes</del> /No (If yes, include para number)

<b>Date and name of meeting when issue was last considered and relevant minute number:</b>	(If applicable)	
<b>Background Papers:</b>		
<b>Consultation Undertaken</b>		
Below is a table of the Council's regular consultees. However not all have to be consulted on every matter and if there was no obligation to consult with a specific consultee they will be marked as n/a.		
<b>Consultees</b>	<b>Yes/ No</b>	<b>Who</b>
Other Committees	Y	Warwickshire Direct Partnership Programme Board
Ward Councillors		
Portfolio Holders	Y	Norman Pratt
Other Councillors		
Warwick District Council recognised Trades Unions		
Other Warwick District Council Service Areas		
Project partners	Y	County and all district/borough councils
Parish/Town Council		
Highways Authority		
Residents		
Citizens Panel		
Other consultees		
<b>Officer Approval</b>		
With regard to officer approval all reports must be approved by the report authors relevant director, Finance Services and Legal Services.		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director(s)	29/02/08	Karen Pearce
Chief Executive	29/02/08	Chris Elliott
CMT	29/02/08	All
Section 151 Officer	29/02/08	Mike Snow
Legal	Ongoing	John Gregory
Finance	22/2/08	Roger Wyton
<b>Final Decision?</b>	Yes/ No	

## **1 RECOMMENDATION(S)**

- 1.1 That the Executive agrees to renew the Customer Relationship Management (CRM) contracts (due to expire in March 2009) on behalf of Warwickshire County Council and all Warwickshire District/Borough Councils (hereafter referred to as the Warwickshire Direct Partnership (WDP)) with *Northgate Information Systems* without the invitation of formal tenders in accordance with Paragraph 2.7.3 of the Council's Code of Contract Practice.
- 1.2 That the Executive notes the Memorandum of Agreement which will be in place to protect the position of Warwick District Council as the contracting party.
- 1.3 To amend the Council's financial projections to reflect the contract saving from April 2009.

## **2. REASON(S) FOR THE RECOMMENDATION(S)**

- 2.1 The current CRM contracts are due to end in March 2009, however, *Northgate* is proposing significant cost reductions in comparison with the current contracts if it receives notice of a successful bid by April 2008.
- 2.2 The Council's Code of Contract Practice permits Senior Managers to dispense with usual contract procedure and not seek tenders:

“where there is some...genuine and valid reason why competitive tenders should not be sought.” (2.7(c) refers).
- 2.3 The genuine and valid reason for tenders not being sought is that the CRM contracts are being renewed with the existing supplier of the system through an EU compliant framework agreement, producing significant cost savings as against the current contracts and operational benefits for all partners within the WDP.
- 2.4 Considerable levels of resource have been expended by partners since the original purchase of the CRM system in 2004 to embed the system and its associated software into the contact centres and one stop shops. This has resulted in improvements in customer satisfaction and customer access to services. Procuring the CRM system from the existing supplier through the framework agreement will allow the WDP to continue using the current CRM system and avoid incurring the initial set up costs and disruption of implementing a new system.
- 2.5 The Partnership is satisfied with the performance of the CRM system and wants to develop the CRM system's functionality in the next few years to provide further benefits for the customer and service improvements for the Council.
- 2.6 Members have previously authorised the use of EU compliant framework

agreements as a procurement mechanism.

- 2.7 Legal advice has been sought from the Procurement Solicitor at Warwickshire County Council. The advice states that the Council has a strong case to justify approaching one supplier. This advice is attached at Appendix Two. This advice has the backing of Warwick District Council's Legal Services.
- 2.8 Procurement advice has also been sought from the Office of Government Commerce (OGC) which is responsible for the EU framework agreement. They have endorsed the approach the Council is proposing based upon the investment the Council has made to date and the value for money that will be derived.
- 2.9 WDC Legal Services has volunteered to lead on the procurement on behalf of the Partnership. This has been welcomed by all partners and a revised Memorandum of Agreement (MoA) has been drawn up by WDC. This revised MoA will be in place by April 2008 and incorporates, amongst other things, a clause indicating that WDC Legal Services are representing the Partnership and that all partners indemnify each other against any liabilities, claims, expenses so that WDC does not incur any undue costs.

### **3. ALTERNATIVE OPTION(S) CONSIDERED**

- 3.1 A full EU tendering process for the CRM contracts renewal could have been undertaken, however, the cost implications of doing this are significant and the preferred supplier is the existing supplier of the CRM system.
- 3.2 Tenders could have been invited from the CRM Framework Agreement. Again, this would have been costly and guidance from the OGC suggests that it is not necessary to invite more than one firm to tender if one bidder can be identified as the most "economically advantageous" from the information provided.

### **4. BUDGETARY FRAMEWORK**

- 4.1 The proposed annual service charges for the five year contract from 2009 to 2014 will be £367,678 reduced from £444,510, representing an overall saving to the Warwickshire Direct Partnership of £76,832 p.a. (savings of £384,160 over the five years).
- 4.2 With regard to Warwick District Council, the new contract represents an annual saving of approximately £11,500 reducing the annual charges from £62,000 to £50,500.
- 4.2 There are no capital implications as a result of the new contract.

### **5. POLICY FRAMEWORK**

- 5.1 The CRM and telephony systems contribute significantly to Corporate

Strategy Objective CS7 (Priority 2), “To use technology to provide services which are easy for customers to use.”

## **APPENDIX I**

### **1. BACKGROUND**

#### **1.1 Setting the scene**

In 2004 the Warwickshire Direct Partnership (WDP) used Local Government Online (LGOL) funds provided by central government totalling £2m to procure jointly a customer relationship management (CRM) system and associated products.

The procurement was undertaken through the Office of Government Commerce’s (OGC) EU framework agreements and a number of five year contracts were entered into as follows:

- CRM system (contracted with Steria, sub-contracted to Northgate)
- Telephony (contracted with Steria, sub-contracted to Macfarlane)
- Help desk/support (Steria)
- Infrastructure (Steria)
- Data centre hosting facility (contracted with Steria, sub-contracted by BT)

These five year contracts are due to terminate in March 2009.

In the event of Steria’s contractual arrangements not being renewed, one year’s notice must be given to terminate the contractual arrangements with Steria.

#### **1.2 Process undertaken**

Detailed work has taken place by the WDP to investigate the options available – a number of options were identified and each considered. (See section 3 – Alternative Option(s) considered above.)

Advice was sought during the course of this process from the OGC and legal resources from within the Partnership to ensure that WDP was proceeding in an open and transparent manner and that the preferred option once determined was one that was justifiable and warranted. (The legal advice given appears as Appendix II.) Please note the recommendations mentioned in 17.i, ii, iii, iv have been carried out as stipulated.

WDP has determined that their preferred option is for a single supplier procurement and this has been substantiated by both legal and OGC advice. (See section 1 Recommendation above.)

Justification for this is centred on the investment to date that each partner has expended on the existing CRM and telephony systems and the consensus amongst partners that both systems perform well and can satisfy future plans.

### **1.3 Future plans**

The CRM system will be used in the future to bring about significant customer service improvements. Central to the Varney Review targets, is the notion of the single view of the citizen. The opportunity to achieve this will be available through the CRM system bringing with it improved service delivery and higher levels of customer satisfaction.

It will also enable the Partnership to be in a position whereby it can achieve the aims and objectives outlined in the Memorandum of Understanding which was signed up to by Chief Executives in 2003. Specifically these are to:

- Simplify, streamline and make the customer interface more accessible and more efficient
- Improve measures of customer satisfaction
- Reduce unit costs by:
  - Minimising the number of high cost transactions
  - Increasing the number of low cost, self service transactions
  - Increasing the number of “one hit” transactions
  - Simplifying processes to reduce the number of transactions

The continuing roll out of one stop shops will incorporate the use of the CRM system and this will allow the customer to have their questions answered more efficiently and quickly. It will be another example of the WDP providing the customer with a “seamless” service supported directly by the CRM system.

## **APPENDIX II**

### **LEGAL ADVICE**

#### **Advice to Warwickshire Direct Partnership**

#### **CRM Contracts Renewal – Procurement Advice**

##### **Background**

1. This advice note is provided following a request for advice from Tony Isaacs, the WDP Programme Manager. The note sets out the background to the request together with the legal opinion which is set out in the later paragraphs.
2. In 2004, using LGOL funds of approx £2m, the WOLP (predecessor of WDP) jointly procured a CRM system and associated products, namely a joint telephony system, data centre (hosting) facility, support / help desk and requisite infrastructure. The procurement was undertaken through the OGC (government buying solutions) framework arrangements and a number of 5 year contracts were entered into as follows;
  - CRM system – contract with Steria, subcontracted to Northgate.
  - Telephony – contract with Northgate, subcontracted to Macfarlane
  - Help desk/ support – contract with Steria
  - Infrastructure – contract with Steria
  - Data centre (hosting) facility – contract with Steria but run by BT
3. The five year contracts above are due to terminate in March 2009. 12 months notice must be given to Steria to terminate the contractual arrangements with them. Advice is requested around the partners' preferred procurement route post March 2009 which is to let a 5 year contract with Northgate to cover all 5 elements of the system using the OGC framework agreement for CRM systems. The estimated value of the contract (total value over 5 year period) is approx. £2m (approx £400k pa).

##### **Issues Raised**

4. The value of the contract exceeds EU procurement thresholds. However, in order to establish the framework arrangements, an EU compliant procedure has been completed, undertaken by the OGC. Indeed one of the key benefits of using the OGC framework arrangements is that contracting authorities can be satisfied that EU requirements have been met, without the need for them to undergo a separate competitive EU process every time goods or services are required.

*As OGC themselves say 'Our rigorous competitive tendering and quality evaluation procedures give you the assurance that each framework agreement offers best of breed suppliers, competitive prices and compliance with the EU Consolidated Directive.'*

5. Given that the establishment of the OGC framework arrangements are EU compliant, there are 2 issues to be considered as regards the partners' preferred option post April 2009, both of which are considered in more detail;
  - (i) Can authorities choose from a framework list without having to undertake a 'mini-competition' involving all or some of the suppliers on the relevant framework list; and
  - (ii) Can all the project requirements be purchased from a single framework list rather than procuring separate elements from separate lists.

### **Requirement for further competition**

6. The OGC arrangements have been established on the basis that generally there should be no need for further competition. The OGC guidance states that; *'we believe that further competition should not be necessary for the majority of requirements under these framework agreements.'* They go on to give two examples of where authorities may wish to compete but in neither case is there an absolute requirement for further competition;
  - (i) for large or complex requirements authorities *may* wish to run a mini competition in order to achieve best value; and
  - (ii) authorities *may* decide to run a competition where they want to select a supplier that they intend to use over a period of time.
7. There is only one situation stipulated within the guidance where further competition is required. This is where authorities want to add special terms to, add to or enhance the terms and conditions of the standard contract which the OGC has negotiated through this process or where those standard terms are silent on a particular requirement.
8. The OGC guidance goes on to say that authorities *'may order directly from the catalogue without competing your requirements if you can determine which supplier can deliver best value for money from the detail given in the catalogue.'*
9. The issue for the partners therefore is whether, with the technical advice given through the programme manager, they feel that Northgate can be identified as the supplier who can meet their requirements and deliver best value *from the detail given in the catalogue*. There is no reason why this should not be the case, provided that there is some evidence available around this point, however doing so does become more difficult the more complex the solution. A review of the details provided by each supplier on the website would be the first step, together with a run through of the OGC web-enabled comparison facility in relation to those suppliers who be in the frame were a 'mini-competition' to be run. (Note that a password is required to run the comparison). This could be supported by a desk top analysis of the time and cost / investment to the project in order for an alternative supplier to get a new product off the ground and working to the partners' requirements. Any 'soft' evidence that the project is able to gather would also support this argument. This could include details of cost/profit margins of Northgate, any comparative cost information available from partners or elsewhere about other providers (particularly any providers who are on the CRM framework agreement), an estimate of additional time and cost that would be needed to progress with a new supplier.



10. Assuming that there is evidence available to justify the selection of Northgate along the lines above, there is no need to run any form of min-competition. However, as stated at paragraph 7 above, the project must proceed on the basis of the standard terms and conditions negotiated by OGC. The framework agreements have all been procured on a restricted procedure basis and therefore the model contract conditions apply to all contracts with the suppliers and there is no room to negotiate the main terms of the contract. The only additional terms which are permissible are items such as particular delivery timescales, associated services such as instalment, price mechanism, additional security and special conditions applicable to delivery. It is a question of fact and degree as to what will amount to a fundamental change requiring a form of competition and what is an acceptable change to the standard terms and conditions.
11. The relevant OGC list which would be used for a total solution would be the CRM framework. There are 13 other suppliers on this list in addition to Northgate. It is possible that any supplier on the list could challenge the partners' decision to proceed with a single supplier without running a competition. However in my view the risks of this happening are low. Were a challenge to be lodged, provided we could demonstrate that Northgate can meet our requirements and deliver best value, we would have a strong case. Given the current contract arrangements, Steria is the supplier most likely to be disadvantaged by the project proceeding with Northgate. However it is of particular note that Steria is not on the OGC framework list for CRM solutions. As a result, they cannot claim that any lack of competition has denied them the opportunity of winning this contract. Any claim that they may have would be that the CRM framework should not have been used to provide an end-to-end solution (see paragraphs 12 - 14 below).

### **Using the CRM Framework**

12. There is nothing to prevent a single framework being used to procure all elements of a project required by an authority, provided the framework in question was tendered in such a way as to include all those elements. The scope of any framework agreement will be dependent upon the information which was issued by OGC to tenderers at the time the framework was being established.
13. Contact has been made with the contract manager of the CRM framework and he has confirmed that the OJEU notice was intended to cover an end-to-end solution for CRM and therefore does cover all reasonable interpretations of what would be involved in that, eg application integration, relevant infrastructure delivery, service/ help desk, communications support. Whilst it seems clear that the CRM framework covers the help desk, infrastructure, data centre elements of the project, there is a question mark over whether it also includes telephony. OGC advice is that it does on the basis that telephony could be deemed to be an essential part of the CRM solution and as such it would be part of any 'end to end' solution. This seems a reasonable approach to take however, it would be advisable for the technical experts advising the project to review the OGC detail around coverage to ensure that they are comfortable that the term 'end to end solution' would cover telephony and that the statement set out in the OGC information that the framework *excludes the provision of call and contact centre and similar operational services* does not alter this view.
14. Again it is likely that the greatest risk of challenge comes from Steria whose claim could be that the CRM framework is not sufficiently wide enough to cover all

aspects of the project and that it should be broken down into lots and different suppliers selected from the relevant frameworks. However, in my view, the risk of challenge is low and even if such claim was made, it is unlikely to succeed particularly if we have a strong technical argument that telephony is properly included under the CRM contract as part of an 'end to end solution'.

## Conclusion

15. In summary, whilst there is a risk of challenge (with Steria being the most likely to claim), in my view the risk is low and were it to materialise, there would be strong grounds for adopting a robust response.
16. Our general experience of the OGC frameworks is that there is an underlying acceptance by suppliers that the OGC frameworks are widely in use, that they are here to stay and that they are a fair way for authorities to procure.
17. However, in order to safeguard against the risks highlighted above, It would be advisable;
  - i) for the project to gather together the evidence which would support our view that from the detail given in the OGC catalogue Northgate meets our requirements and offers best value. This should be done by reference to the details on the OGC website, the comparison facility offered by the website in addition to any other relevant information that can be obtained;
  - ii) to obtain written confirmation from the contract manager of the CRM framework that the CRM contract (including the documentation given to tenderers at the time the framework was established) made it clear that it was intended to cover an end-to-end solution which includes all elements we are seeking, including telephony (currently confirmation is through the Partnerships Director rather than the manager responsible for the CRM framework). This also to be reviewed by the project's own technical experts;
  - iii) to ensure that the contract entered into doesn't seek to change any of the terms and conditions of the standard OGC CRM contract (other than such changes which are permissible). Some time should be spent reviewing the standard terms and conditions to ensure that our inability to make substantial changes won't impact on the partners' ability to enter into a sound contract which clearly sets out the supplier's obligations and meets our requirements.
  - iv) to terminate the Steria contract in accordance with the terms and conditions of that contract and make it clear that we will be re-procuring through the OGC CRM framework arrangements. This will ensure that there are no raised expectations on the part of Steria and should give an early indication of whether or not they are likely to challenge this approach.
18. It would also be advisable for the partner agency who will be the 'contracting authority' to review their own Contract Standing Orders to ensure that all their own internal contracting rules have been met. In many cases, an Authority's

internal contract rules will deem that Contract Standing Orders have been complied with where either a centrally approved or an OGC approved framework agreement have been used. If this is not the case, there may be a need to obtain an exemption from Contract Standing Orders, however there should be strong grounds for approval of such an application given that the OGC frameworks are let on a competitive EU compliant basis.

Sarah Duxbury  
Warwickshire County Council  
Corporate Legal Services Manager

16<sup>th</sup> November 2007