

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY & FINANCE

CABINET

12 APRIL 2007

Wards Affected

County-wide

Purpose

To advise Cabinet of the results from the evaluation process for the three short-listed suppliers for the Herefordshire Connects Programme. This is the second round of the process and the object is to select a preferred supplier.

Key Decision

This is a not a Key Decision.

Recommendation(s)

- THAT (a) Cabinet endorses the recommendation of Corporate Management Board that Deloitte be confirmed as the preferred supplier, with SERCO as reserve;**
- (b) Cabinet agrees that the Director of Corporate and Customer Services conducts negotiations with the preferred supplier, supported by the Director of Resources and the Head of Legal and Democratic Services, bringing back a further report to Cabinet on the outcome of those negotiations; and**
- (c) Cabinet notes the recommendations made by the Audit Commission in its report 'Herefordshire Connects', and agrees the actions proposed in response.**

Reasons

To note progress with the procurement phase of the Herefordshire Connects programme and endorse the recommendation of a preferred supplier.

Considerations

Background

1. On 12th September 2005 Corporate Management Board, following a presentation from the Head of Information, Technology and Customer Services, concluded that further development work on ICT programmes should cease, to allow for a proper assessment of the council's requirements into the future.

Further information on the subject of this report is available from
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2. It was recognised that the existing ICT environment within the council was impeding the delivery of service improvement programmes. This, together with the financial context within which the council was operating, suggested that strategic business and service transformation was necessary to deliver ongoing service improvements into the future. The strategic transformation programme would be supported rather than driven by an underpinning corporate ICT strategy. A mini-tendering process was therefore started in early 2006 and Axon Group plc were selected from five organisations to complete phase 1 of the programme. This was to assess the likely benefits to be achieved by a business transformation programme and explore potential options for delivery of the programme. This was completed in May 2006.
3. In addition, the Herefordshire Connects Core Team was created through secondments from Directorates. This represented an excellent career development opportunity for staff and, in bringing together experience from each part of the Council into one area, obtained commitment from each Directorate to a review of the Council's current business processes. The Core Team was heavily involved in drawing up the Service Improvement Plans and worked on recording the Council's current business processes in readiness for the development of integrated streamlined future processes.
4. Members of the Core Team, together with relevant key service managers, carried out a series of site visits to other authorities where transformation programmes were underway to learn from successful implementation and, as importantly, from less-successful implementation. Areas visited included: Buckinghamshire, Derbyshire, Trafford, Vale of Glamorgan and Waltham Forest.
5. Three Service Improvement Plan (SIP) workshops were held with each directorate, including a cross section of staff working with Axon and the Core Team. Workshop sessions for elected members were also held during the summer, and a summary of feedback is attached at Appendix 1. Member feedback was broadly similar to that of officers. The completed Service Improvements Plans, including indicative benefits, were drawn up and then signed off by directors.
6. These six Service Improvement Plans had a number of recurrent themes across the directorates and these themes were therefore pulled together into three work-streams:
 - Integrated Customer Services
 - Integrated Support Services
 - Performance Management
7. A business case was then drawn up for each work-stream, containing the detail regarding:
 - Scope
 - Benefits
 - Costs
8. The business cases were validated by working closely with each directorate to ensure accuracy and by looking at similar work done with other authorities to check any assumptions made were realistic.
9. Simultaneously a telephone poll of Herefordshire Citizens was carried out to gather opinions on the provision of services, as well as a video of random on-street interviews with Herefordshire Citizens and Herefordshire Council employees.

10. The work carried out by Axon endorsed the view already formed, that the transformation programme would have technology as an enabler, supporting change across the organisation. However, the cultural change would only truly be achieved through effective change management. The overall change programme, following a competition within the authority, was badged 'Herefordshire Connects'.

Procurement

11. Phase 2 of the programme comprised the identification of a strategic partner who would, building on the outputs from phase 1, implement the transformation programme.
12. Options available for procurement included the use of the Official Journal of the European Union (OJEU), or the CATALIST framework operated by the Office of Government Commerce (OGC). The OJEU route is more lengthy and it has also been subject to certain legal challenges, which have led to the process being avoided by some public sector procurement projects because time-scales become extended.
13. Under guidance from the OGC, the Council decided to use the OGC CATALIST procurement framework. This is the UK Government's procurement forum. It allows for a more streamlined procurement with shorter time-scales and has the benefit of a pre-agreed contractual agreement being made available to both the Council and the preferred supplier. In addition, the OGC provides support to the Council on an on-going basis and will support the Council in the event of any legal challenge.
14. Once again under guidance from the OGC, the Enterprise Resource Planning category within CATALIST was considered by the OGC to be the most appropriate for the requirements of Herefordshire Connects Programme. There were fifteen suppliers listed within this category. They included leading names such as BT, EDS, HP and IBM through to consultancies such as Deloitte, CAP Gemini, Serco and LogicaCMG.
15. Working within the CATALIST process, the selection for the preferred supplier was conducted in two rounds. Guidance was sought from OGC throughout the process; so as to ensure that the Programme adhered to protocols. The OGC has subsequently advised that they would be very keen to use the Herefordshire Connects procurement as an exemplar case study for CATALIST.
16. The Council invited each of the fifteen listed suppliers to a supplier day held on 27th September 2006. The Leader of the Council opened the supplier day with the Chief Executive, The Members' Reference Group and Group Leaders were also invited. This day was used as an opportunity to present background information on the programme and provide information about the council. Presentations were made by all of the Directors as well as a number of senior managers from across the authority.
17. In line with OGC guidance communications with the suppliers was controlled via a dedicated telephone hotline and email address and any answers to questions from one supplier were supplied to each of the rest. All communication with suppliers throughout both rounds was logged and recorded.
18. The Council undertook a desk top evaluation of the two options and concluded that the OJEU route whilst potentially offering greater freedom carried more significant risk in terms of both challenge and lengthy time frames.
19. Round 1 of the OGC CATALIST process comprised sending an Invitation to Quote (ITQ), together with a copy of the presentations from the supplier open day, to the twelve suppliers who attended the supplier open day. Of the twelve suppliers, nine

responded to the ITQ; this was seen as a 'very healthy' response by the OGC. The suppliers, in their responses, presented background to their companies, their customers and the other suppliers with whom they operated as partners. They provided the detail of their experience in the areas of interest to the Connects programme.

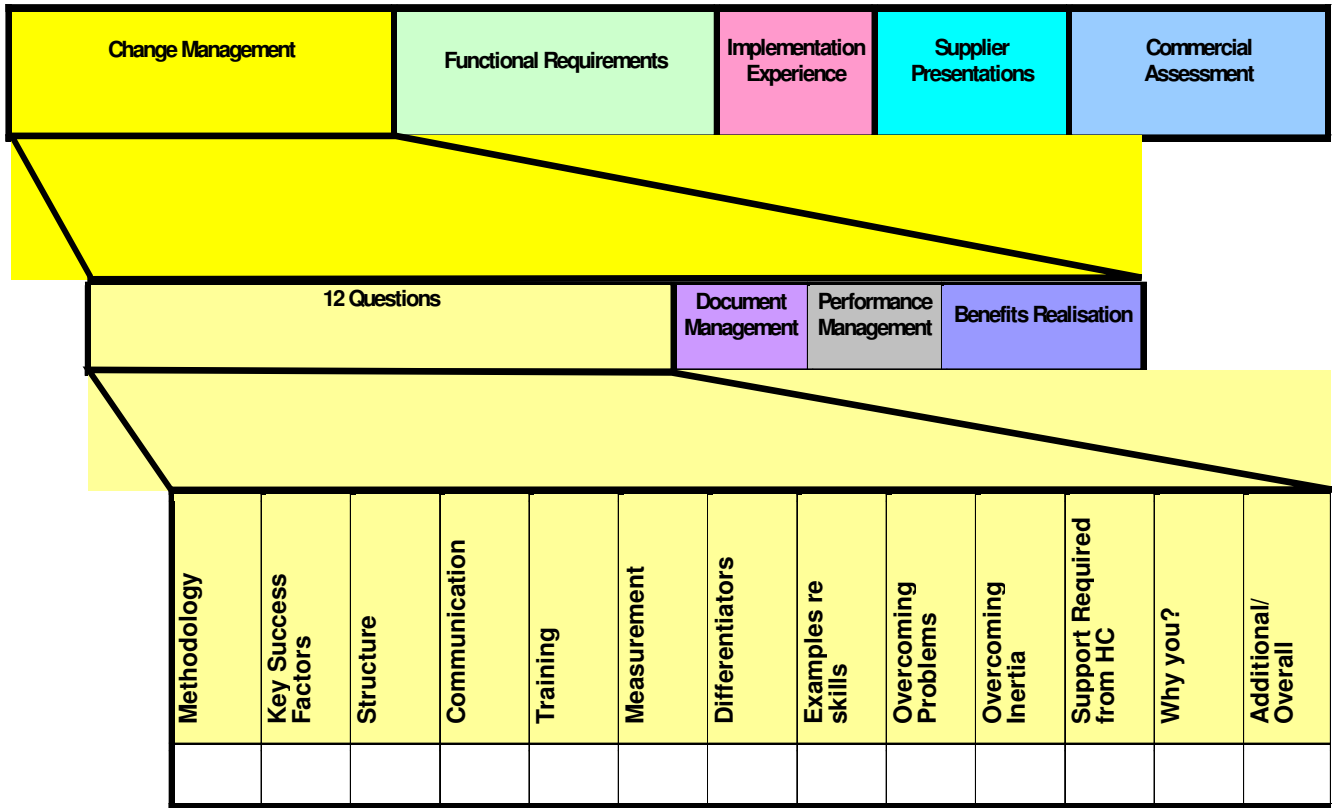
20. Each response was then scored by the Connects Team augmented with an appropriate specialist from ICT, assessing the submissions against six key areas, namely:

- evidence of the supplier's implementation experience, including approach, procedures and methodology;
- the ability and capacity of suppliers to deliver a large-scale transformation programme;
- their understanding of Herefordshire's needs;
- their proposed methodology for implementing and managing successful change programmes including innovative communications techniques, training and management structures; and
- their experience in identifying and managing benefits arising from such programmes.

21. The Herefordshire Connects observer panel invigilated both the pre-scoring meetings and the scoring day itself. The observer panel comprised the Head of Legal and Democratic Services, the Head of Financial Services (as representative to the Section 151 officer), the Principal Audit Manager and the Herefordshire Connects Programme Manager. The results of this round were presented to the Herefordshire Connects Programme Board, and all suppliers meeting a minimum score were approved to progress to the next round. The four suppliers approved were: Deloitte, Hedra, LogicaCMG and SERCO. These suppliers were issued the Invitation to Tender (ITT). Hedra subsequently advised the Council that they wished to withdraw from process.

22. Over 150 staff contributed, reviewed and helped to compile the ITT. The Herefordshire Connects Programme Board agreed the areas of the ITT to be scored and their respective weightings. The importance of ensuring that the ITT accurately reflected the needs of the organisation was reflected in the fact that the issue of the ITT was postponed for three weeks in order to ensure that the document was reviewed by as many staff as possible and was as comprehensive as possible. The ITT was issued, with a comprehensive set of supporting documents, on 11th December 2006. Following issue of the ITT, but before receipt of responses, the assessment framework was refined and agreed. The responses to the ITT were received on 15th January. In total the Council received some 2500 pages.

23. Each area of the ITT that was scored is shown below:



24. The ITT responses were reviewed and scored by over fifty staff from across the Authority. In addition six officers shared the responsibility to invigilate all scoring and workshop sessions. Panel members from the Herefordshire Connects observer group were present at all meetings, workshops and scoring days. Each supplier was invited to present and meet with staff for a day. The timetable for this phase of the procurement process is attached at Appendix 2.

25. Over 100,000 scores and comments were received from the scorers. Scorers initialled each page of each scorecard and the scorecard was then signed by each scorer and counter-signed by a member of the Herefordshire Connects observer team. Two separate teams collated the scores to ensure correctness (200,000 scores entered between two teams to confirm overall scores). Comments were processed so as to gauge 'common themes' and also allow for scorers to explain the scores that they awarded.

26. Each of the suppliers was given four real world 'work-place scenarios'. These represented a cross-section of areas of challenge to the organisation at present. It was essential to ensure that any technological solution could not only meet the requirements in each of these areas but also that this solution could be demonstrated to a scoring panel. It was key that this was done from an integrated 'Single system' perspective. Scenarios included:

- a complex family situation designed to test the communications, automatic referrals, asset management, finance & planning capabilities of the technology;

- an asset management situation demonstrate how the system would handle a workload typical of that of a highways inspector and a member of property services;
 - a 'family moves' scenario testing the potential to remove barriers between council departments and partners to serve the citizen more effectively; and
 - an employee scenario testing integration of HR and payroll functions.
27. To ensure that each supplier could provide proposed programme costs and forecasted programme savings that could be compared, as far as possible, on a like-for-like basis a further commercial assessment was carried out using a standard commercial assessment template completed by each supplier. The approach to and assessment of commercial information was then independently ratified by CAPITA plc. The review undertaken by CAPITA did not alter the rankings of the three suppliers.
28. CMB met all three Suppliers on 15th March 2007. This was to allow CMB to cover some of the aspects of the proposals that needed clarification as well as ask a number of questions. In particular there were discussions on Change Management, clarification of aspects of the commercial proposals, Governance and all three suppliers were updated on the PST.
29. The results of both the ITT assessments and the commercials assessments were then combined to achieve an overall ranking of:
- 1st Deloitte
 - 2nd SERCO
 - 3rd Logica
30. At its meeting on 26th March, CMB considered the results of the assessments, and recommend to Cabinet that Deloitte be endorsed as preferred supplier with SERCO in reserve position. It is important to note that, once approved as preferred supplier a further period of clarification, challenge and negotiation will take place. At this stage, areas for clarification include a detailed assessment of the viability of achieving the benefits realisation figures, a review of options available to the Council's in terms of its resource requirements and the choice of the technology solution. It is planned to use CAPITA plc to help with this. Expert legal and financial advice will also be brought in as required, and a series of site visits will take place prior to signature of any contract. The Audit Commission has also indicated their intention to support the council in its management of the procurement process by carrying out further work during this period focussing on risk, performance management of the contract, and governance arrangements
31. The Office of Government Commerce will be invited to complete an independent review of the procurement approach used for the Programme.

Audit Commission Report

32. At the end of 2006 the Audit Commission conducted a short risk assessment of the programme at that point. The resulting report recognised that the programme had a number of strengths, notably:
- the procurement approach is following an established methodology (the OGC framework contract approach);
 - the authority is using the recognised public sector project management standard (PRINCE2);
 - the procurement is well documented;

- the council has done a lot of initial work in many areas (e.g. visiting other authorities, running staff workshops, and developing service improvement plans with a consultancy firm);
- the council have informed us that leading members from all parties are publicly committed to supporting the project.

33. The report also identified a number of issues and made recommendations in respect of each. These recommendations are listed at Appendix 3 together with the proposed action in response to each. Cabinet are asked to note the findings of the report and agree the proposed action in response to the recommendations.

Financial Implications

34. It is important that the Council understand the financial context of the Programme. A Financial Summary is listed below which explains overall costs to the Council. It also places the cost envelope in the context of the Medium-Term Financial Strategy (MTFS) 2007 – 2010.

Background

Paragraphs 1 – 10 inclusive of this report outline the first phase of developing the Herefordshire Connects transformation programme. This culminated in a report to Cabinet on 20th April 2006 that included an outline business case for the programme that Axon Group plc helped to develop.

- 1.1 An initial forecast of the likely levels of investment needed and potential return accompanied last April's Cabinet decision to proceed to the next stage of the programme. The assumptions and risks relating to the initial financial model for the Herefordshire Connects programme were also outlined in that report.
- 1.2 The indicative figures on investment requirement and cashable benefits identified last April were built into the draft Medium-Term Financial Management Strategy (MTFMS) 2007 – 2010 prepared in July 2006. Those figures remained the same through to final approval of the MTFMS by Council on 9th March 2007 in the absence of any further information to update them. The final version of the MTFMS allowed for twelve month's slippage in realising cashable benefits given the emerging timetable for the programme.
- 1.3 The MTFMS therefore sets the financial parameters within which the programme has to be delivered. The following table sets out the assumptions within the MTFMS 2007 – 2010 that relate to the Herefordshire Connects transformation programme:

Financial Resource Model assumptions for Herefordshire Connects	2007/08 (£000)	2008/09 (£000)	2009/10 (£000)	2010/11 (£000)	Total (£000)
Investment requirement	1,960	5,940	5,290	4,930	18,120
Cashable benefits	(5,800)	(10,600)	(11,400)	(11,750)	(39,550)

Cover for slippage in delivering cashable benefits target	5,800	0	0	0	0
Net annual cash deficit / (surplus) for re-investment in corporate priorities	1,960	(4,660)	(6,110)	(6,820)	(15,630)

- 1.4 In addition to the above resources, there is an estimated £428k in an earmarked reserve for 'Invest to Save' projects that could be applied to the transformation programme. Delivery of the programme within the financial parameters included in the MTFMS is essential if the approved investment programme in social care services is to be sustained. The alternative is likely to entail unpalatable cuts in frontline service provision given the bleak financial outlook for local government expected as a result of the Comprehensive Spending Review 2007 (CSR07) now expected to conclude in the autumn.

Commercial Assessment

- 1.5 The commercial assessment of the 3 proposals accounted for 20% of the overall assessment framework outlined in the diagram in paragraph 23 of this report. Each supplier was asked to submit a template designed to capture the financial information needed to make the commercial assessment in a consistent format. The assessment checked for completeness of the information supplied and also looked at each supplier's proposals in terms of:

- investment requirement;
- benefits realisation; and
- quick wins.

- 1.6 The approach to the commercial assessment and the result of the exercise has been independently verified by CAPITA Advisory Services. This company has considerable experience of both assessing and delivering similar transformation programmes in other organisations including local government. It was important to ensure the assessment was sound to guarantee the integrity of the procurement process and to provide reassurance on what represents a major financial investment for the Council.

- 1.7 A summary of CAPITA's findings having reviewed the Council's commercial assessment process is as follows:

- the scoring mechanism devised prior to the assessment being carried out was appropriate and accurately applied;
- the ranking of the suppliers as a result of the commercial assessment was not

changed by using discounted cash flow techniques or by substantial flexing of the variables included in their models (sensitivity analysis);

- each supplier had included the main cost elements in their proposals;
- there was a degree of optimism in the suppliers' early year benefits and growth in the benefits over time was ambitious;
- there was a lack of detail in the suppliers' proposals that would need to be explored in the next stage of the procurement process and through due diligence; and
- the Council's resource assumptions appeared reasonable (see paragraph 1.10 below).

1.8 The commercial assessment was the fifth element of the overall assessment process and confirmed the ranking of the three suppliers' proposals after the first four elements of the assessment had been scored. The ranking taking into account all five elements of the assessment process is set out in paragraph 29 of this report.

Council's resource assumptions

1.9 Last April's report to Cabinet on the Herefordshire Connects transformation programme indicated that there were a range of internal costs of the Herefordshire Connects transformation programme that were not included in the financial model set out earlier in this section of the report. The potential costs to the Council of the programme, over and above those that would be paid to the eventual supplier, have become clearer as the procurement process has unfolded.

1.10 The following table highlights the potential internal costs of the programme. CAPITA has confirmed that they believe the Council has identified the key internal cost headings based on their experience elsewhere. The figures included are best estimates only at this stage and will be firmed up during the course of negotiations with the preferred supplier.

Indicative internal costs of the Herefordshire Connects transformation programme	2007/08	2008/09	2009/10	2010/11	Total
	(£000)	(£000)	(£000)	(£000)	(£000)
Backfilling for staff seconded to the programme	700	620	120	0	1,440
Change Manager & Core Team	260	260	260	0	780
Withdrawal from legacy systems	0	100	75	50	225
Accommodation	150	150	150	0	450
ICT infrastructure costs	250	250	250	250	1,000
Contract negotiations	75	0	0	0	75
Total	1,435	1,380	855	300	3,970

- 1.11 It has to be stressed that, as with the financial model for the preferred supplier recommended by the Corporate Management Board (CMB), the figures outlined in the table above are very indicative. Some of the potential internal costs outlined above, such as ICT infrastructure costs and the cost of an ICT desktop equipment refresh programme (not included above), will need to be included in future budgets even if the transformation project was not in prospect.

Next steps

- 1.12 The preferred supplier's financial model and the internal costs identified above exceed the financial envelope for the transformation programme included in the MTFMS approved by Council last month. This position has been discussed with CAPITA Advisory Services who advise that having a gap at this stage is not to be unexpected. Their opinion is that robust negotiation with the supplier and further exploration of the internal costs, particularly in terms of links across to existing base budgets for ICT services, should resolve the situation. They also noted that the financial model currently only covers years 1 – 4 of the programme. Extending the model would see costs reduce year on year with savings continuing to grow albeit at a slower pace.
- 1.13 Effective contract negotiation and examination of internal costs is therefore key to the success of the next stage of the procurement process. The preferred supplier will need to be challenged with a view to:
- reducing the investment requirement;
 - maximising the overall quantum of benefits; and
 - firming up on the phasing of both costs and benefits.
- 1.14 External financial, legal and possibly ICT support will be needed for the contract negotiations to ensure that the Council can derive maximum value from the modernisation programme. An indicative figure of £75k has been included in the financial model for this purpose. The negotiations will be complex, particularly in respect of risk sharing and maintaining flexibility to adapt to changes in the environment within which local government operates.
- 1.15 The contract negotiation and due diligence period will be used to explore these issues, along with links across to existing base budgets. The result will be an updated financial model for the transformation programme and a re-assessment of how that fits within the MTFMS. The contract negotiation period will coincide with the closing process for the 2006/07 financial year and the next MTFMS refresh enabling all three strands to be brought together as a further report is prepared for Cabinet in June / July prior to final commitment to the programme.

Risk management

- 1.16 There are significant financial and other risks associated with the Herefordshire Connects transformation programme. These will be managed using the Council's risk management strategy in order to maximise the opportunities taking costs out for reinvestment in service improvement across the board but particularly for social care services.
- 1.17 Other councils have embarked on transformation programmes like Herefordshire Connects. There are therefore exemplars we can learn lessons from – both those

who have managed such a programme well and those that have perhaps done less well. The experience of others to date is that the hardest bit is making sure that the benefits are realised. The Council has already developed a process for identifying benefits, assigning responsibility for their delivery and tracking progress. This will need to be thoroughly embedded to support the Herefordshire Connects programme.

- 1.18 A further point to consider is that 'quick wins' that could be considered part of Herefordshire Connects are already being planned and counted towards budget balancing exercises for some services for the 2007/08 financial year. This is only small scale at the moment as far as the Resources Directorate is aware, but could start to erode the benefits included in the financial model for the transformation programme if the contract negotiation process is protracted.

Risk Management

Key Risk	Mitigation
Funding of programme will require early delivery of savings	Carry out Cost Reduction exercise during Initial Phase of programme to identify early wins for cost savings Council has budget pressures, which make this imperative.
Decision not made to approve Preferred Supplier or the Decision takes too long – leading to both loss of up to £11m pa in future savings and Suppliers withdrawing their interest given that almost 40 Authorities are involved in Transformation Programmes at present.	Ensure governing bodies are kept up-to-date and fully briefed on progress. Suppliers are notified of progress wherever possible. Cabinet endorse the preferred supplier as early as possible.
Disruption to day to day business	<p>Take account of operational peaks when planning.</p> <p>Ensure Council is kept informed of potential impact and provide strategies to cater.</p> <p>Minimise impact of disruption by providing detailed plans and communicate these to key areas of the Council.</p> <p>New processes will result in new ways of working, which in turn will result in the need to acquire new skills. Identify the impact on the people, and ensuring that this is in the communications strategy. Keep staff fully informed. Provide clarity about the process for designing the new solution, defining new roles and responsibilities in the new organization.</p> <p>Ensure that there are Herefordshire team members who will be responsible for disseminating information and also acting in a liaison role</p>
Council partners not committed to integrating with Council.	Create comprehensive communications and change plan for other public bodies in Herefordshire such as PCT, Police and voluntary sector. Engage with these partners early in programme, and make them a key stakeholder.
Different majority party has power after May election	Include group leaders in communications for programme
Lack of Management Buy-in	Effective change planning and managing the change curve, excellent communication to support buy-in through understanding the benefits to be delivered by service users

Alternative Options

Alternative options include: total outsourcing, shared service provision, and doing nothing.

Outsourcing has been undertaken by a number of authorities, but evidence suggests that it is not always easy to realise cost benefits e.g., Walsall Council who recently pulled out of a £500m outsourcing deal. This option also carries additional significant risk with regard to staff transfer to the new provider.

The shared services option has not been discounted, although it is recognised that in the immediate geographical vicinity there is little current interest in such an option and potential partners would need to be identified from further a field. It is worth noting the recent announcement made by Southampton City Council last which has given approval to select Capita as their preferred Supplier. Negotiations will now take place with Capita to become the Council's Strategic Service Partner (SSP). This Programme will provide improved services to its customers while reducing costs. The partnership at Southampton will deliver a range of Council services, including Customer Services, IT, Property Services, HR, Payroll, Revenues and Benefits, and Procurement. This will include the development of a brand new contact centre and an improved `one stop shop`, which together will become the first point of contact for all Council services. Southampton has a population of 222,000 (based on 2005 mid-year estimates) and a budget for 2007-08 of £168.9m.

The option to do nothing would result in the council's financial strategy being at significant risk within two years. In the absence of additional income or efficiency savings, this could only result in significant cuts to services.

Consultees

Office of Government Commerce

Audit Commission

CAPITA

Appendices

Appendix 1 Member Seminar Feedback

Appendix 2 Procurement Phase 2 Timetable

Appendix 3 Audit Commission Recommendations and Proposed Response

Background Papers

Presentation to CMB 22 Feb 2007-03-19 with supporting pack

Report from CAPITA on Commercial Assessment

Audit Commission Report 'Herefordshire Connects'

HEREFORDSHIRE CONNECTS MEMBER SEMINARS FLIPCHART SUMMARY

Members were asked to say how they would want Herefordshire Council to look, following a successful business transformation programme, from the point of view of each of the following:

- Elected members
- Employees
- Citizens/customers
- Partners/suppliers

Whilst a range of views were expressed, some key themes recurred in each section, and these are summarised below.

ELECTED MEMBERS

- Reputation – members proud to be part of a successful council that is valued by the public
- Elected members to be professional and well supported – to include a requirement for all members to be computer literate; effective IT support; effective training and induction programmes; member involvement in member development decisions; member websites; appropriate remuneration for members.
- Decision-making – members to have a greater input into decision-making; more effective scrutiny function; higher profile ward member role including devolved budgets; remove cabinet system.
- Efficiency – clearer, simpler reports; improved access to information; improved response times; no longer having to make multiple calls to resolve a problem/query; on-line systems to support work.
- Responsibility – members and officers accepting responsibility/accountability
- Communication – improved, effective communication internally; improved understanding of the public about the services of the council and the role of the ward member; greater communication with ward members of local issues

EMPLOYEES

- Employees view Herefordshire Council as an employer of choice
- Employees feel valued within the workplace and by the public – are treated fairly and with respect, feel listened to
- Employees have job satisfaction, and are rewarded appropriately

- Employees have the tools to do the job – including IT systems, training and development support, clearly understood targets, good working conditions, flexible working, good working knowledge of the council as a whole.
- A range of career development opportunities exist within the council.
- Customer focussed

CITIZEN/CUSTOMER

- Customers are treated fairly and with respect
- Customers are able to access services/information in a way and at a time that is convenient to them
- Customers have a single point of contact to the council, and do not have to ‘find their own way around’.
- Customers feel valued and that their concern or request will be taken seriously and dealt with efficiently
- Customers feel the council delivers value for money services
- Customers do not have to repeat information
- Customers feel involved in decision-making
- Customers feel well informed, and receive consistent messages
- Customers understand the services provided by the council, and how it works with partners

PARTNERS/SUPPLIERS

- The council is viewed as a partner of choice
- There are clear lines of accountability within partnerships; roles and responsibilities are clear and transparent.
- The council listens and responds to its partners
- Procurement procedures are simple, open and cost effective
- Through procurement the council supports local enterprise, and takes account of sustainability issues
- Payments are processed in a timely manner and with minimal transaction costs.
- The council’s contribution to partnerships is recognised and valued.
- Contracts are effectively monitored.

Procurement Phase 2 Timetable

- 15th Jan ITT responses received
- 22nd Jan Change Management scoring
- 31st Jan/1st Feb Technical Demonstration from SAP
- 2nd Feb Deloitte Presentation
- 5th Feb LogicaCMG Presentation
- 6th Feb SERCO Presentation
- 7th/8th Feb Technical Demonstration from SAP
- 9th/13th Feb Functional Requirements scoring
- 14th Feb Implementation experience scoring
- 22nd Feb Presentation on initial results to CMB
- 7th Mar Presentation of results to Members Reference Group
- 22nd Mar Completion of Commercial Assessment
- 27th Mar CMB agree choice of preferred Supplier
- 29th Mar Members Seminar
- 12th April Presentation to Cabinet

Audit Commission Recommendations and Proposed Response

No.	Recommendation	Action in Response
1	Review the requirements of the PST to ensure they are sufficiently clear and robust to inform the contract. If not consider extending the timescales for the signing the contract until the PST requirements have been agreed with the PCT.	PST development is being taken forward through a series of workstream identifying future operational and strategic requirements. These will be fed into the Herefordshire Connects programme as appropriate. All three potential suppliers were briefed regarding the PST development, and indicated interest. Any contract negotiated will reflect the potential need to review the programme and contract in the light of PST establishment if required.
2	When presenting the preferred bid to members for consideration, other options which are still open to the council should be outlined, with the costs and benefits of each option set out. For future procurements complete a formal options appraisal.	Alternative options are included in the body of the report to Cabinet on 12 th April. A review of the procurement policy and processes is underway led by the recently appointed Strategic Procurement and Efficiency Review Manager, and will address this point for future procurements.
3	For future procurements complete the scoring mechanism before issuing the ITT	Although the scoring mechanism existed in framework at the point of ITT issue, the detail had been agreed prior to return of the ITT, therefore the tender and assessment processes were not compromised, and the timetable was maintained. However the Strategic Procurement and Efficiency Review Manager has been asked to consider this point in developing guidelines for future procurement processes.
4	Discuss with potential suppliers why they chose SAP and whether the technical specification has restricted the choice of solution. Revisit the specification to assess if it was too tightly defined.	The specification was defined in order to meet the identified needs of the organisation. Specific challenges were made to suppliers on this issue during their presentations. However, should the choice of technical solution not meet the organisational

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		needs in any specific area within the programme, it is open to the council, during contract negotiations, to require the supplier to identify alternative solutions, or to exclude that element from the contract.
5	Complete an assessment of the risks of the contract. Ensure that members are briefed on this before a decision is taken to proceed. The risks of other options should also be set out. This should be presented along with the costs and benefits assessment.	A risk log for the programme, including the procurement element, is maintained and reviewed on a regular basis in line with corporate risk management policy. Alternative options, and the risks associated with them, are set out in the report to Cabinet on 12 th April. A update session will be arranged for the new Council as soon as it is practicable to do so.
6	Assess the risks of delivering the required work to a sufficient standard before the contract is signed, and extend the timescales if necessary.	The timescale for the procurement phase is reviewed on a regular basis and has been flexed where necessary to ensure quality was maintained e.g. the issue of ITT was postponed to ensure maximum contribution from service representatives; additional assessment time was provided to take account of further work required on commercial elements of the tenders. The Council is only at this stage identifying a preferred supplier and will not sign the contract until all outstanding issues are resolved.
7	Assess if the council has sufficient experienced staff to manage the contract and bring in additional resources if necessary.	Resource requirements for the programme are regularly reviewed, and additional expertise is brought in as required either from within the organisation or, where appropriate, externally e.g. external validation by CAPITA; specialist legal advice during contract negotiation period.