

PART 1 - PUBLIC

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Decision Maker: Executive

Date: Wednesday 10 January 2018

Decision Type: Urgent Executive Non-Key

Title: GATEWAY 1 MEMBERS' REPORT

REVIEW OF CORPORATE CUSTOMER SERVICES IT SYSTEMS

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Chief Officer: Mark Bowen Director of Corporate Services and
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Ward: All Wards

1. REASON FOR REPORT

- 1.1 On 14 September 2016, the Executive agreed a sum of £50k to fund a review of alternative options for the Customer Relationship Management (CRM) system both in the short and long term.
 - 1.2 This report updates Members on progress and the options considered are included in this report.
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2. RECOMMENDATION(S)

Executive are requested to:

- 2.1 Note the need to upgrade the current CRM system as outlined in this report.
- 2.2 Commission BT by variation to their existing contract to upgrade to Dynamics Version 2011 to avoid critical service interruption for the reasons set out in section 6 of this report.
- 2.3 Commission BT by variation to their existing contract to provide a fully costed options appraisal for the longer term provision of IT services currently delivered by the current CRM system, as set out in section 7 of this report.
- 2.3 Agree the addition of £480k to the capital programme, funded from a £37k reduction to the existing capital scheme for the website upgrade, and £443k from capital receipts.

Corporate Policy

1. Policy Status: Existing policy. Existing Policy Context/Statements
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: Estimated cost Net additional cost of £480k
 2. Ongoing costs: Recurring cost. £34k
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: £50k
 5. Source of funding: Capital Receipts
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Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory requirement. Waste collection service
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Borough wide, 80,000 annual service requests, 25,000 green garden waste customers, 3,000 trade waste customer
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 Microsoft Dynamics CRM was deployed in Bromley some ten years ago. There have been no major upgrade works to this system in that time, despite there being a number of newer versions released into the market.
- 3.2 The system provides a case logging system for Customer Services as well as a highly detailed workflow, reporting and accounting system for the waste management service.
- 3.3 The Council is currently using version (4.0) of the Microsoft Dynamics system. The system providers (Microsoft) will no longer support Version 4.0 from 10 April 2018.
- 3.4 There are a number of different versions of the Microsoft Dynamics system which are supported until 2026 as set out below:
- Version 2011 – Support ends- 13/07/2021
 - Version 2013 – Support ends – 09/01/2024
 - Version 2015 – Support ends – 14/01/2025
 - Version 2016 (365) – Support ends – 13/01/2026
- 3.4 The options available to the Council is to either upgrade the current Microsoft Dynamics system or move to another system to remain compliant with the London Public Service Network Code of Connection and to enable the waste management service to continue to operate until 2019.
- 3.5 As agreed by the Executive in February 2016 and to provide comparisons and alternatives, our IT service delivery partner, BT, were commissioned to conduct a review of our CRM structure.

BT were requested to make recommendations to the Council on:

1. The best way forward in terms of a system to maintain the current service and that of the service in the future; and
2. To recommend the most cost effective approach, given the following key dependencies:
 - The Council's Commissioning agenda and Direction of Travel
 - Expiring support for the current CRM system, Microsoft Dynamics (version 4.0)
 - Considerable upgrade costs to move to the latest version 2016
 - Bespoke programming used to run the waste services contract, required until April 2019.
 - Re-procurement of Environmental Services Contracts from April 2019
 - Re-procurement of Customer Services Contract for April 2020
 - Multiple third party contractor connectivity required

3.6 The review by BT included a review of alternative systems available in the market place, including the Microsoft Dynamics products taking into account Customer Service requirements and the Business requirements. This work concluded in December 2016.

3.7 BT recommended the Council to:

- Deploy a flexible digital platform for customers to access Council services, and link to third party contractor systems to fulfil those requests. Further information on this is in **appendix 1**. They suggested a shortlist of platforms by Jadu and Capita as the Council had already invested in those providers.
- If the platform could not replace the functions provided by Dynamics, or be implemented before the end of support date in April 2018, then upgrade MS Dynamics to 2011 version. This provides a supported system until the end of the current Waste Contract in 2019, and caps cost to maintain current operations.
- Procure and implement the new platform with options for workflows for Waste Management via the I Manager middleware, for two way communication with the Council's and contractors' systems.

3.8 Officers proceeded to look into these recommendations further as set out in section 6 of this report.

4. SUMMARY OF BUSINESS CASE

4.1 Bromley has a population of approximately 325,000; each person has specific needs and preferences as to how they would like to contact the Council if they need to. Bromley has almost the highest percentage in the UK of users who access the internet daily, with more than 92% of residents claiming to have used the internet at some point in the last census. The Council has over 4 million web visitors, viewing 15 million web pages annually and in excess of 43,000 MyBromley Account holders.

4.2 The benefits of encouraging customers to interact with the Council electronically to reduce overall 'cost to serve' through front and back office services should not be underestimated. Done well, the short-term pain of changing customer behaviour could well reap significant and longer term benefits across the whole organisation, particularly when coupled with an outcome-based approach to service delivery.

4.3 In order to maximise the investment in technology and reduce operating costs, the organisation should look at placing a greater focus on the overall customer journey to maximise digital uptake. This will include refining how their initial contact with the council is responded to; how their issue is resolved or fulfilled; what technology is required to enable that to happen, as well as present frontline resources to support the vulnerable and those unable to use technology.

4.4 The direction of travel for the Council in relation to IT as a Commissioning Authority is that the Council no longer wishes to own big IT systems that require customisations or big in house bespoke IT systems that the Council is responsible for maintaining and upgrading, where possible the Council are moving to pass this responsibility to any future external service providers.

4.5 The BT report concluded that Jadu and Capita should be approached to establish whether they may fulfil our requirements, and build on capital investments already

made in elements of their systems; i.e. Jadu Continuum for web site and Capita One Digital for Revenues & Benefits. This approach would also avoid further costly integrations into existing systems, which would become unique and bespoke to Bromley.

5. SERVICE PROFILE/DATA ANALYSIS

- 5.1 Customer Services is contracted to Liberata until March 2020. Annually the service manages (*excluding Revenue and Benefits*);
- 200,000 service-type telephone calls (non-switchboard)
 - 25,000 visitors
 - 20,000 e-mails
- 5.2 In addition to this, the contractor also manages the content of the corporate web site, which receives almost 4 million visitors annually.
- 5.3 Of those contacts, just over 80,000 result in service requests which are logged in the CRM system for Environmental Services. These are passed to service teams to resolve, either via integration through to their 'line of business' systems (Confirm, Uniform) or through work queues configured within the CRM system itself.
- 5.4 The system also supports 25,000 Green Garden Waste customer accounts and 3,000 Trade Waste customer accounts.

6 OPTIONS APPRAISAL

- 6.1 The CRM system is a critical system that is used by the waste management service and is required until 2019 when the new contract is in place and the responsibility of a Waste IT system passes over to the contracted Service Providers.
- 6.2 Due to the unique and complex customisations that have been deployed to the system for the waste management service it is not possible to deploy a replacement system before 2019, when the new Environment contract is placed. Obtaining costs for upgrading also proved extremely difficult and took a considerable period of time from the Councils system support provider (IBM). BT took over these discussions in November and provided costs at that point. Therefore Officers have reviewed the following 3 options:
- Option 1 - Do Nothing
 - Option 2 - Upgrade Dynamics CRM to 2011
 - Option 3 - Upgrade Dynamics CRM to 2016

Option 1 – Do Nothing

- 6.3 The Council could opt to do nothing and continue to use the current version of the Microsoft Dynamics system, version 4.0, this will enable the service to continue to operate as they currently do with no changes.
- 6.4 However this will mean that the system will be unsupported by Microsoft. Out of support software does not get updated with critical patches for exploitable vulnerabilities that are the usual targets and entry to a network in cyber security

incidents. We have to commission an accredited IT health check scan annually to support our submission for Code of Connection to the PSN network. Obsolete applications will be flagged as critical risks and remediation of these risks is required, by either upgrading to a supported version or implementing a supported solution. Failure to evidence this would result in certification not being granted, the consequences of which could include disconnection from the PSN network, inability to send secure emails via GCSX and access to applications that are both crucial to our health services.

- 6.5 If the system is hacked and personal data exposed we will be in breach of GDPR rules and the Council will be at risk of fines up to the value of €20 million (app £18 million). It should be noted that these fines are an uninsurable risk.
- 6.6 In addition to this, it is a significant corporate system linked to a customer facing services and a key back office work system. Whilst the system may still be supported by BT, any critical failure of the system will require the upgrade recommended, and render the Council without a system to run Customer Services and Waste Services.

Option 2 - Upgrade Dynamics CRM to 2011

- 6.7 The Council have the option to upgrade the Dynamics system to either version 2011 or to 2016. However, upgrading to version 2011 must happen first, to enable an upgrade to version 2016 at a future point.
- 6.8 In addition, the system providers discovered that the council is currently under-licensed in the way the system is deployed for the back office functions. This is due to the unique and complex customisations used to manage the waste collection service. The additional cost is £53k per annum, which would have to be met irrespective of the upgrade costs and this will be met by Environmental Services.
- 6.9 Upgrading to 2011 is an upgrade to the existing platform with far less work and cost when compared with the latest version, and will provide a supported system until mid-2021. This provides a secure and supported system to 2019 to coincide with the new Environment Contract commencement date.
- 6.10 The cost for moving to version 2011 BT estimates to cost £382k, with a continuation of the annual revenue costs of £34k payable for as long as the system is used.

Option 3 – Upgrade Dynamics CRM to 2016

- 6.11 The deployment of 2016 version would require a complete system re-build before the implementation; BT also stated that the system would have to be upgraded to version 2011 first.
- 6.12 The costs for moving to version 2016, BT estimate would cost in excess of £1m to implement and £62k per annum revenue costs to support and host the system. This would require revenue growth of £28k.
- 6.13 In addition to this, and in the longer term, continuing with a Dynamics system will incur costs for future upgrades every 2 to 3 years of approximately £50k.
- 6.14 The table below summarises the costs of upgrading to the two versions: -

| | Dynamics 2011 £'000 | Dynamics 2016 £'000 |
|-----------------------------------|------------------------------------|------------------------------------|
| Capital cost of upgrade | 382 | 1,002 |
| Revenue costs for hosting/support | 34 | 62 |

- 6.15 Due to the unique and complex customisations that has been deployed to the system, it is considered that BT are best placed to lead on the implementation of the upgrade as our trusted IT partners and have committed to an April 2018 completion of the 2011 upgrade.
- 6.16 Best value is assured because BT rates and pricing is benchmarked against the framework recently market tested. Additionally, there are legitimate technical reasons, given the complexity of the system, of not going out to open market for this work. Initial engagement around the upgrade work was with IBM who provides the current support service for this system. This transferred to BT as IT service moved across to them in November 2017. Pricing between the two was equivocal; however, BT is certain to deliver in the required timescales.
- 6.17 Therefore Officers are recommending that the Council commission BT by variation to the existing contract, with a change control notice, to upgrade Dynamics to Version 2011 as it is a lower cost, essential to avoid critical service interruption, and is required anyway should the Council wish to move to the latest version in the future.

7. Long Term Strategy for Customer Contact

- 7.1 The 2011 system will only be supported by Microsoft until July 2021, therefore the Council will need to consider the longer terms options.
- 7.2 BT's review, recommended that we deploy a flexible digital platform in order to fulfil future customer requirements and fit with longer term commissioning strategy, and suggested a shortlist of potential providers.
- 7.3 Officers have reviewed these, and considered the likely requirements for system provision for the new commissioned partners for Environmental Services and Customer Services. Both areas having considerable technical and efficiency requirements and cover a range of complex services.
- 7.4 Officers therefore recommend that the Council further commission BT, in close consultation with the relevant service leads, by variation of the existing contract with change control notice, to produce a fully costed options appraisal and recommendation for the longer term provision of IT solutions across these important areas. BT has costed this work at £98k, and a breakdown of activities is in **appendix 2**.
- 7.5 As mentioned in 6.2 and 6.15 there are considerable system customisations that have been deployed into the current CRM system. BT are best placed to lead on the next stage options assessment, as our trusted independent IT partner, as it requires considerable technical expertise to ensure all system activities are reviewed, challenged and considered carefully throughout.
- 7.6 The effort required developing a gateway review and business case for Members consideration is considerable. It will include the transformation journey towards

greater self-service, lower operating costs and ongoing commissioning strategy for 'customer relationship management' (CRM).

- 7.7 There will be engagement with all services involved to understand the processes and customisation that sit within the current CRM system. Consideration will be given to overall ICT and Commissioning strategy, an understanding of current costs and comparison to three viable CRM options.
- 7.8 Each option will have an implementation plan along with a clear understanding of the benefits that each solution will bring and a clear benefits realisation plan – meaning how and when will Bromley realise 'what' benefits.
- 7.9 This 'discovery' work will be undertaken in conjunction with other legacy system reviews ('Confirm' and 'Uniform') and represents a significant opportunity to ensure the broader cross-service requirements are met.
- 7.10 The business case and gateway report will contain all the information and recommendations in order for Members to make an informed decision on how to proceed. The cost covers 126 days effort over a 16 week period, and includes systems architecture, business consultancy, business analysis, and project management.
- 7.11 Best value in this activity is assured because BT rates and pricing is benchmarked against the framework recently market tested.
- 7.12 A future report will be submitted in mid-2018 outlining costs and plans to either decommission the Dynamics CRM system and replace it, or provide other alternative solutions and benefits available to the Council from the market. This will include necessary elements required to archive the data contained in the current system in an accessible format should that be necessary.

8. MARKET CONSIDERATIONS

- 8.1 Specifying the requirements to upgrade our current CRM system for the open market would be almost impossible given the complexity of the system customisations and the time constraints, and the need to ensure that we have a system that is in support and compliant with the London Public Service Network Code of Connection up to the new Environment Contract.
- 8.2 There are a number of CRM alternatives, which BT considered throughout their review. Many would require considerable investment to provide an alternative system which delivers the current service.
- 8.3 BT recommended a system shortlist of Capita One Digital and Jadu CXM as a 'CRM lite' solution, as the Council has already invested in these providers.
- 8.4 Traditional CRM systems like Microsoft Dynamics, Lagan and Northgate are widely recognised as too expensive to be sustainable within reducing Council budgets. This has led to many Councils to move away from this style of CRM system deployment.
- 8.5 It should be noted that during consultation with other London boroughs, one authority is deploying a new CRM and Web system at a total cost of £3.1 million over a 2 year delivery period.

9. STAKEHOLDER ENGAGEMENT

- 9.1 A project team will be established to review the current systems, led by BT and combined officers from Customer Service, Environmental Services, IT, Commissioning and Liberata.
- 9.2 This approach supports the Environmental Commissioning Programme, IT strategy and increase opportunities to achieve future efficiencies in service delivery.

10. PROJECT TIMESCALES AND GOVERNANCE ARRANGEMENTS

- 10.1 An Initial project delivery timetable is outlined in the table below

| Dates | Activity |
|--------------------------|--|
| Jan 2018 | <ul style="list-style-type: none">Set up project delivery team.Commence upgrade to version 2011Commence long term CRM system review with BT |
| Feb 2018 | <ul style="list-style-type: none">Final testing of web upgrade |
| March 2018 | <ul style="list-style-type: none">Jadu Web Upgrade to "Go Live"Exchequer Contract to go out to Tender including Customer Services (<i>Estimated date report to go to Executive in early 2018</i>) |
| April 2018- June 2018 | <ul style="list-style-type: none">Complete upgrade to version 2011Report to Executive outcome of CRM review |
| Jan 2019 | <ul style="list-style-type: none">Exchequer /Customer Services contract award |
| March 2019 | <ul style="list-style-type: none">Environmental Services Contracts go live. |
| April 2020 | <ul style="list-style-type: none">Exchequer /Customer Services contract goes live. |

- 10.2 A number of risks have been identified during the review process and are outlined in the risk matrix, with mitigation plans in **appendix 3**.
- 10.3 The project team outlined above will have responsibility for governance and delivering this scheme.

11. SUSTAINABILITY AND IMPACT ASSESSMENTS

- 11.1 The Council is under significant financial pressures and must ensure that the services commissioned are sustainable and have a positive impact on the wider community.
- 11.2 Bromley's draft 201/19 budget report, shown else where on the agenda, highlights the ongoing need for the Council to find efficiencies and identify mitigating actions to address cost pressures. In it, the four year projection shows a significant budget shortfall.
- 11.3 It goes on to say that apart from supply side improvement, there remains the need to manage future demand by ensuring there is a focus on outcomes, rather than service delivery. This includes the need to rethink the relationship between the citizen and the service.
- 11.4 Therefore, the benefits of encouraging citizens to interact with us electronically to reduce overall 'cost to serve' through front and back office services should not be

underestimated. Done well, the short-term pain of changing customer behaviour could well reap significant and longer term benefits across the whole organisation, particularly when coupled with an outcome-based approach to service delivery.

11.5 The direction of travel commissioning strategy states that our vision is to make sustainable savings whilst transforming services to make them more effective. The council must develop better relationships with its most critical providers to achieve our shared business requirements, identifying providers (and systems) that will assist with transformation, securing services at better value from those on which we are heavily reliant, developing alternative sources of supply and management.

11.6 This approach supports these challenges facing the Council.

12. POLICY CONSIDERATIONS

12.1 The recommended approach supports commissioned services by providing the infrastructure required for data flow between multiple service delivery partners and our customers, affordably. This is in line with Building a Better Bromley and investing in technology to enable greater flexibility and give customers alternative means of accessing our services.

13. IT AND GDPR CONSIDERATIONS

13.1 A draft Privacy Impact Assessment has been developed.

14. PROCUREMENT

14.1 The recommendation in this report cover Contractual arrangements the Council has entered into and the implications of the proposals made needs to be, both for the completion of the requirements identified and their impact on Service Contracts, both current and under review prior to tender.

14.2 The Upgrade of the Microsoft Dynamics CRM, requires the modification of the existing arrangement to provide the necessary IT support arrangements for a number of critical line of business systems for the Council.

14.3 Provision is made of the intended action within the Public Procurement Regulations 2015, to a greater extent within Clause 72 “ Modification of Contracts During Their Term” which provides sufficient scope for the intended action to be taken.

14.4 The Regulations, at Clause 32, also provide scope for a Negotiation without the prior publication of a OJEU Notice, which might also be used to regularise the intended action, if necessary.

14.5 The BT IT Services Contract the Council uses for it main IT Services requirement made use of a Framework Arrangement, which was placed in compliance with the Procurement regulations, it provides for the inclusion of the additional service requirements identified and can therefore be viewed as being provided under an EU compliant process, while also demonstrating best value for the Council.

15. FINANCIAL CONSIDERATIONS

- 15.1 The capital programme currently has a budget of £50k set aside to undertake a review of alternative options for the Customer Relationship Management (CRM) system. There is a balance of £37k remaining that can be used to fund part of the costs of this proposal.
- 15.2 This report is recommending that Members agree to upgrade the current system to version Dynamics 2011 as a short term solution and commission further activities to bring forward longer term recommendations.
- 15.3 The table below summarises the total capital and revenue costs for this option: -

| CAPITAL COSTS | £'000 | £'000 |
|--|--------------|--------------|
| <u>Upgrade to Dynamics 2011 (Section 6 of this report)</u> | | |
| BT project management, testing, delivery & training incl contingency | | 382 |
| <u>Further review work and options appraisal by BT</u> | | |
| 126 days over 16 week period | | 98 |
| Total capital costs | | 480 |
| Less remaining balance of current capital scheme | | 37 |
| Additional capital funding required | | 443 |
| REVENUE COSTS | | |
| <u>Dynamics 2011</u> | | |
| IBM support contract | 28 | |
| Bromley Server costs | 6 | |
| | | 34 |
| Total revenue costs | | 34 |
| Less current budget | | 34 |
| Revenue growth | | 0 |

- 15.4 Members are requested to agree the addition of this scheme to the capital programme, with the total cost of £480k funded from a £37k reduction to the existing capital scheme for the website upgrade, and £443k from capital receipts.
- 15.5 It should be noted that the £53k cost of the additional licences as highlighted in 6.8 above, will be met from the Environment and Community Services budget, as it directly relates to the customisations made for the waste service.

16. LEGAL CONSIDERATIONS

- 16.1 The additional services to be provided by BT are at a cost above the EU threshold value for services and supplies and as such regulated by the Public Contracts Regulations 2015. The Council is permitted under Regulation 72(1)(a) to use BT to provide the additional service as the work is within scope of their existing contract with the Council.
- 16.2 Rule 13 of the Council's Contract Procedure Rules allows exemptions to be granted from competitive tender requirements provided there is appropriate justification.
- 16.3 Officers will need to ensure Change Control Notices are agreed and issued to the Contractors to cover the additional work.

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| Non-Applicable Sections: | Personnel |
| Background Documents: (Access via Contact Officer) | Appendix 1- Digital Customer 2020 business case Appendix 2 – Activity breakdown of review work by BT Appendix 3 – Risk Log |
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