



AGENDA ITEM: 7

SUMMARY

Report for:	Finance & Resources Overview & Scrutiny Committee
Date of meeting:	8 October 2013
PART:	1
If Part II, reason:	

Title of report:	Shared and Outsourced Services Update – Customer Service Centre and Gateway Contract (CSCG)
Contact:	<p>Cllr Neil Harden: Portfolio Holder for Residents & Regulatory Services Cllr Brian Ayling, Cabinet Support Member</p> <p>Responsible Officer: Shane Flynn – Assistant Director (Performance and Projects)</p>
Purpose of report:	To update Members on progress with the Customer Service Centre and Gateway project.
Recommendations	That Members note progress and comment on the Customer Service Centre and Gateway project.
Corporate objectives:	Supporting the ‘Dacorum Delivers’ strategic change programme
Implications:	<p><u>Financial:</u></p> <p>Efficiency savings have been identified as part of the overall project and will be monitored through the Performance Management Frameworks, which form part of the contract documentation.</p> <p><u>Value for Money:</u></p> <p>Current central government legislation has identified that local authorities should seek to provide value for money for citizens by exploring partnership arrangements to deliver services. The Northgate proposal was tested against a public sector comparator to demonstrate that the contract will provide value for money.</p>
‘Value For Money Implications’	
Risk Implications	A risk assessment of the CSCG project has been undertaken and reported to the Overview and Scrutiny Committee. An ongoing risk log was developed to cover all aspects of the transfer. Post contract completion a new project plan has been

	introduced and a revised risk register, focused on delivery, has been developed.
Equalities Implications	Equality Impact Assessment carried out This was included in the report to Cabinet on 26 th March 2013. Further impact assessments will be required to assess the impact of the Customer Relationship Management and Channel Shift projects.
Health And Safety Implications	There are no immediate health and safety issues. During the period March to July 2013 additional security arrangements were in place in the reception area to help manage the transition to Council Tax Support. The transition is now complete and therefore the additional security has been withdrawn. Normal security levels for staff are now in place.
Consultees:	<p>A corporate multi-disciplinary project team has been developing the CSCG project. In addition Customer Services staff have been engaged through regular staff meetings and the Staff Reference Group. Unison has also been consulted regularly.</p> <p>Approval for contract signature and transfer of service was delegated by Cabinet to the Portfolio Holder for Residents and Regulatory Services and the Corporate Director (Finance and Governance).</p>
Background papers:	<ul style="list-style-type: none"> • Cabinet report, 26 March 2013 – Customer Service Centre and Gateway Tender Exercise (Part 2) • Cabinet report, 25 June 2013 – Customer Service Centre and Gateway Contract (Part 2) • Cabinet report, 23 July 2013 – Customer Service Unit Drawdown from Reserves
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	<p>In May 2011 Cabinet approved a Shared and Outsourced Services project. The project's objective was to explore shared service options for a number of Council services, including a 'strategic partnering' approach for Customer Services.</p> <p>The approved procurement process resulted in the Customer Service Centre and Gateway Invitation to Tender (ITT) being released to the market on 30th October 2012. On 26 March 2013 Cabinet approved the award of a four year contract to Northgate Information Solutions Ltd.</p> <p>On 25 June 2013, Cabinet delegated authority to the Portfolio Holder for Residents and Regulatory Services on the advice of the Corporate Director (Finance & Governance) to bring forward the forward the contract signature date (the Effective Date) and Operational Service Commencement Date, subject to completion of agreed tasks.</p> <p>The Finance & Resources Overview & Scrutiny Committee has</p>

	continued to receive quarterly updates on progress on the contract since September 2012.
Glossary of acronyms and any other abbreviations used in this report:	CSCG - Customer Service Centre and Gateway CSU - Customer Service Unit ITT - Invitation to Tender CRM - Customer Relationship Management System OLA - Operating Level Agreements PMF - Performance Management Framework

1. Background

- 1.1. The contract for the delivery of the Customer Service Centre and Gateway (CSCG) to Northgate Information Solutions UK Ltd (Northgate) was signed on 12 July and the service was transferred to Northgate on 5 August 2013.
- 1.2. This report provides an update on performance for the first two months of the contract.

2. Financial monitoring

- 2.1. At the contract commencement date the Council was due to make upfront payments to Northgate to complete the mobilisation phase. Further payments were due from 1 August.
- 2.2. The majority of these are not recurring costs. They cover mobilisation fees and capital requirements of the two internal projects (see below). Taking into account the existing budget for the CSU, a draw down from reserves was required to meet the budget gap. This draw down was anticipated in the Budget Report to Council in March and appropriate reserves were already earmarked.
- 2.3. A detailed breakdown of the costs required in comparison with the original budget for 2013/14 is given in Annex A. This shows that the revenue and capital requirements are as follows:
 - Revenue: £613,858
 - Capital: £363,154
- 2.4. Northgate will invest £1.46m over the first four years of the contract and in return the Council will receive, in addition to planned improvements in performance, the following material benefits:
 - Reductions in annual operating costs of £280,000 per annum
 - Investment in technology
 - Development of a Customer Relationship Management system to speed up transactions
 - Back office systems integration to enable us to use on-line payments, information, web chat and other on-line facilities to bring the Council's public communications up to modern standards.
- 2.5. A further drawdown may be needed. The Council is contractually bound to meet any redundancy costs for CSU transferred staff within the first 12 months of the contract. This is standard practice. The costs can be met from the redundancy reserve which has a current balance of £1.125m and no known commitments.

- 2.6. Close financial monitoring of the contract will be required to ensure that the above benefits are realised by year four as anticipated. This should be straightforward in respect of the payments required under the contract. The Operational Services Charge, for example, will fall from, £1.165m in Year one to £468,214 in year four.
- 2.7. More complex is the reduction in CSU-related costs within the Council's own budgets. It will be necessary, for example, to recognise the impact of channel shift on back office resources and the financial impact of maintaining the CRM system beyond year four. Accordingly, a financial benefits realisation document has been compiled to monitor this impact.

3. Performance monitoring

- 3.1. Performance of the contract is managed in partnership with Northgate through an Operations Board which meets monthly to consider:
- Achievement against Key Performance Indicators (KPIs) for the preceding month and any service credits due
 - Management issues
 - Progress against the two core projects in the transformation programme: Customer Relationship Management (CRM) and channel shift
 - Risk associated with the contract and delivery of the transformation programme.
- 3.2. For the first month of the contract the results against the KPIs were as shown in Table 1. One KPI was not met: calls answered in less than 20 seconds. Under the terms of the contract, Northgate have one month to remedy this under-performance. If the target is not met in September, service credits will apply for both August and September.

Table 1: CSCG KPIs, August 2013

KPI	August target	August result
Agreed % of calls answered within 20 seconds	42%	41%
Acceptable % of calls abandoned	15%	14%
Agreed % of customers seen with 5 minutes	63%	64%
Longest wait time (% waiting less than 30 minutes)	95%	98%

- 3.3. In addition, two complaints were received, one from a member of the Committee and one from a member of the public. Northgate were advised of these matters and DBC officers provided a written response to the member of the public.
- 3.4. Other performance monitoring information has been provided but the data needs clarification before it can be reported. In particular, data regarding staff utilisation is not yet available.

4. Factors affecting performance

- 4.1. During the first month of the contract there was significant investment in induction activity. All staff were involved in 2 hour workshops, and there were open sessions for other council Members and officers to attend. These were important events but necessarily reduced availability of CSCG staff and management for short periods.
- 4.2. Holidays and other absence had been allocated prior to the contractors taking over and were therefore outside of their control. This was exacerbated by the peak holiday period.
- 4.3. Performance monitoring systems for individual staff are not yet in place. Key factors highlighted by the first month of operations were:
 - a lack of meaningful real time or historic data on unit or individual performance, which creates difficulties in measuring and driving performance
 - a need for greater multi-skilling across contact and front office staff
 - analysis of current shift profiles against customer calling patterns, which points to imbalances between demand and supply.
- 4.4. The absence of a comprehensive performance management system for the CSCG was a known issue and forms part of the transformation programme.

5. Service Improvement Plan

- 5.1. The SIP is a key document that forms part of Northgate's contractual obligations. It sets out a timetable for implementing key stages of the service development, including two specific projects relating to the transformation:
 - The introduction of a Customer Relationship Management (CRM) system;
 - Channel shift from face-to-face and call contact to web-based interaction where this improves access to services and promotes efficiency.
- 5.2. Discussions regarding these two projects have taken place with Northgate staff. A monthly joint project board has been established, the Terms of Reference of which are at Annex B. The first meeting – to agree the Terms of Reference – took place on 19 September.
- 5.3. This group will address the issues raised in the previous report to the Committee regarding Channel shift and the development of the Customer Insight function which is a part of the CRM project.
- 5.4. More detailed reports of progress will be made in due course.

6. Risk management

- 6.1. A risk assessment of the CSCG project was been undertaken and reported to the Overview and Scrutiny Committee as part of the shared and outsourced project. An ongoing risk log was developed to cover all aspects of the transfer and monitored regularly during meetings with Northgate management.

6.2. Following contract completion a new project plan has been introduced and two new risk registers, focused on delivery, have been developed: one by Northgate to cover their project management responsibilities and one by DBC officers to manage risks relating to the Council.

6.3. Both sets of risk registers are reviewed by the Operational Board. The August meeting identified three high risk areas, shown in Table 2

Table 2: CSCG risks as at August 2013-09-24

Risk	Northgate Proposed action	DBC proposed action
Staffing rotas are not flexible enough to allow resources to match variations in customer demand	Revised rotas in development and being discussed with team leaders. Interim arrangements are being implemented where staff are being rescheduled where possible	Ensure Northgate have a proven process of transformation including training and support for transferred staff
No provision has been made for business continuity for telephony systems used within the Council including the CSU	Northgate will address this risk as part of the BC plan that will be produced. The mitigation will be to introduce a global message onto the IVR in times of DR which will advise the public of the issue. Arrange with BT to re-route the call traffic to a designated failover	Northgate will prepare BC/DR plans for agreement with DBC
No desktops are encrypted in the CSU- including desktops that are in the public area	Ensure that the machines used by the CSU in the public area are in line with the Northgate IT security procedure	Northgate are fully aware of the restrictions and policies of DBC IT services and are kept informed of plans for technology refresh. Security arrangements are being implemented as part of the PSN Co-compliance requirements

7. Conclusion

7.1. Performance standards and costs are in line with expectations. A positive start has been made and governance arrangements have provided opportunities for performance review. These arrangements should ensure that the Council can drive performance improvement through the contract in partnership with Northgate and reduce the risks associated with the project.

ANNEX A

Draw down form reserves, as per Cabinet report of 23 July 2013

Description	Budget	Notes	Forecast Out-turn	Notes	Variance
CSU (Employees Cost)	£944,826	Full year budget for in house CSU	£362,717	April to July 13 CSU in house	(£582,109)
CSU (Supplies & Services)	£0		£777,333	Northgate operational costs (£1,166k over a full year; £777k Aug 13 to Mar 14)	£777,333
CSU (Supplies & Services)	£0		£387,143	Northgate revenue costs of mobilisation and projects	£387,143
Budget for GM Partnerships & Citizen Insight	£70,000	Full year budget	£22,491	Cost for April to July 13	(£47,509)
CSCG Project Manager	£0		£13,000	CSCG Project Manager	£13,000
CSCG Contract Management	£0		£66,000	Commercial Contract Management	£66,000
Totals	£1,014,826		£1,628,684		£613,858

Supplementary Estimate Required: Revenue **£613,858**

Supplementary Estimate Required: Capital **£363,154**

ANNEX B

Customer Insight and Channel Shift Forum - Terms of Reference

NPS & Dacorum – Customer Insight and Channel Shift Forum

Monthly forum chaired by the CSCG Customer Insight Manager

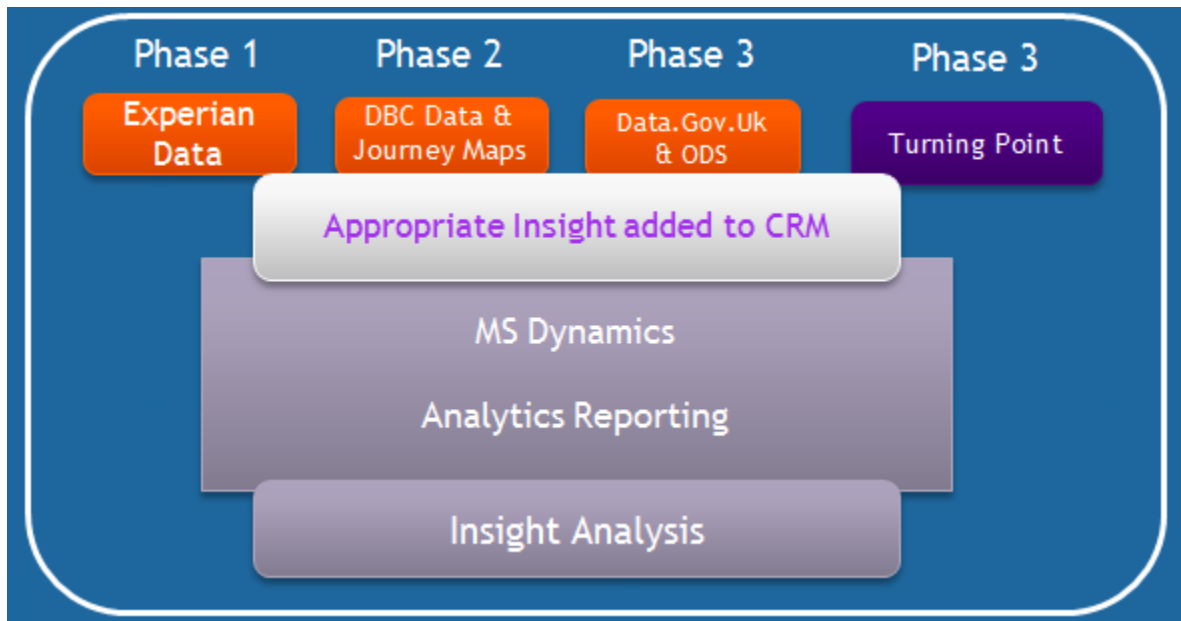


Forum Terms of Reference:

The following is proposed as the TOR for the forum:

- To monitor activity and receive a progress report on the Customer Insight and Channel Shift activities for the CSCG programme.
- To monitor and analyse customer insight data from the CSCG programme
- To identify related information sources relevant to the Customer Insight programme for the CSCG
- Agree data 'linkages' for the CSCG programme
- To agree reporting from Customer Insight
- To evaluate Channel Shift recommendations from the Channel Shift Delivery Manager
- To agree the Channel Shift recommendations for implementation
- Engage with the Dacorum Community Communications activities
- Engage with the Dacorum Customer Insight 'Evidence Based Decision Making' programme
- Enable where possible, re-use of customer insight from the CSCG programme with the Dacorum 'Well Being' programme
- Agree the programme approach (as illustrated below)
- Recommend programme changes when applicable via change control

Agreed Initial Programme Roadmap:



Regular Forum Attendees:

Dacorum BC	Northgate	Partners
Regular Forum Attendees:		
Elissa Rospigliosi (ER) Murtaza Maqbool (MM) Ben Trueman (BT)	Chris Nicholson (CN) Dale McNeil (DM) Mike Small (MS) – Acting Chair CSCG Customer Insight Manager – CIM – Strategic Chair CSCG Channel Shift Delivery Manager - CSDM Tim Osei CI Researcher (TO)	
Attendee's on request:		
Shane Flynn (SF)	Funsho Salawu (FS) Dave Dunn (DD)	Experian 3 rd Sector

Standard Forum Agenda

- Apologies Chair
- Review actions from previous meeting All

- Review activities since the last forum for:
 - Customer Insight CIM
 - Channel Shift CSDM
 - Dacorum 'Health & Well being' programme ER
 - Web Services MM

- Review emerging customer insight & Recommendations CIM/All
- Review emerging channel shift recommendations CSDM

- Programme monitoring (and any required changes) Chair
- Data set Review
- Reporting Review Chair/All

- AOB All

- Agree date of next meeting and attendees All