

<p>Title of report :Telephony and Contact Centre Cloud Solution</p> <p>CONTRACT APPROVAL</p> <p>Key Decision No. FCR R 42</p>	
<p>CPC MEETING DATE (2020/2021) 8th March 2021</p>	<p>CLASSIFICATION:</p> <p>Open with exempt appendixOpen with an exempt appendix 2</p> <p>By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 appendix 2 is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the</p> <p>If exempt, the reason will be listed in the main body of this report.</p>
<p>WARD(S) AFFECTED All Wards</p>	
<p>CABINET MEMBER Mayor Glanville</p>	
<p>KEY DECISION Yes</p> <p>REASON Spend on strategically important technology</p>	

GROUP DIRECTOR

Ian Williams

Group Director, Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

- 1.1.** Our residents, businesses and staff expect the Council to have a phone system that 'just works'. I am confident that this procurement will achieve that. However, increases in residents' expectations and advances in modern technology means we need to do more than provide a phone on everyone's desk that any resident or business can call.
- 1.2.** The Council's customer services strategy explains that residents want to get what they need the first time they contact the Council; for it to be easy to do so and staff to have the information they need to help give residents the right advice.
- 1.3.** During the first Coronavirus outbreak, when the government imposed lockdown, we were able to continue to provide phone-based services to residents whilst staff worked remotely. We were able to create the 3111 service to support vulnerable residents and provide the mechanisms to support staff working differently to support the community, thanks in part to the flexibility of our IT infrastructure, matched to our in-house skills. More recently, we have also created the new services to support track & trace and make welfare calls to ensure that people asked to self isolate are supported in doing so
- 1.4.** The recent cyber attack reminds us of the importance of prioritising security, and safeguards around our data. But it has also shown the value of using modern cloud-based solutions which remained resilient.
- 1.5.** Rapid changes in the telephony market gives us more opportunity to meet residents' rising expectations. For example, a resident who starts on webchat and needs more support over the phone, won't have to repeat their story as the chat will be passed to the customer service advisor. A resident who would prefer to check information out of hours could do so by speaking to a virtual customer service bot.
- 1.6.** The customer and workplace team have explored the market of providers and developed these proposals based on practical experience from a number of pilots of different solutions.
- 1.7.** The main objectives of the procurement are to seeking:

 - a. A set of partners that fit most closely with our values
 - b. Technology that meets our standards
 - c. A contract length which ensures we've sufficient agility to benefit from changes to technology

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1.** This report advises the Cabinet Procurement Committee of the results of the procurement of a 'Communications as a Platform' service and 'contact centre software' solutions.

2.2. Officers of the Council have completed the procurement exercise identified in the Business Case document and evaluated options from two procurement frameworks, reviewing 23 product listings

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2.3. The risk assessment for this procurement exercise was assessed as being medium risk and the cost over the contract is expected to be £2.3m.

2.4. Officers are recommending that a contract for 2 years with a 2 year extension at the Council's discretion be awarded to Supplier 2. Formal notice about the Committee's decision will be made to the successful Supplier.

3. RECOMMENDATION(S)

Cabinet Procurement Committee is recommended to:

3.1. Note the Digital Marketplace G Cloud procurement process used for the procurement of 'Telephony and Contact Centre Cloud' solutions.

3.2. Progress the award of a contract to Supplier 2 to provide two products: (i) Communications as a Platform, and (ii) Contact Centre Software. The contract will be for a period of 2 years with a Council option to extend for two further one year periods (2+1+1).

3.3. A comprehensive summary of the evaluation of the individual bids is included at Appendix 2 to this report and includes the names of the all the bidders for each lot

4. RELATED DECISIONS

4.1. Business case and Risk Assessment (Medium Risk) approved by CPC (November 2020) prior to commencing the procurement.

4.2. Request for Information (RFI) under Network Services 2 (NS2) Framework Lot 10 and Lot 13 was undertaken in October - November 2020. Notification was sent to a total of 31 cross lot suppliers with details of our draft requirements and suppliers were asked to identify any service offers they may have listed that they believe could meet our requirements. Suppliers were also asked to provide indicative costings to help a budget budget for the project.

4.3. A total of 8 suppliers from cross-lot Network Service 2 responded to the RFI, the responses came from a mix of resellers and telecommunications companies.

4.4. From this exercise, we learnt the following:

4.4.1. There were no clear benefits associated with buying a solution either directly or via a reseller

4.4.2. We weren't able to identify the Communications as a Platform offerings that we anticipated and wanted

4.4.3. The offerings were at a higher price point than anticipated with less clarity around the structure of the pricing models than we wished

4.4.4. Three of the companies responding did not have a service offering that would meet our requirements on the NS2 eMarketplace.

Therefore, we decided not to proceed with the procurement via the NS2 eMarketplace and to evaluate service offerings identified during the RFI process. 2

5. REASONS FOR DECISION/OPTIONS APPRAISAL.

The Council currently has three telephony contracts:

1. With Centiant, a 'systems integrator' currently costing £883,000 per annum which provides:
 - a. A cloud-based VoIP communication system provided by NFON
 - b. A cloud-based customer contact centre system provided by Puzzel
 - c. A voice-activated switchboard provided by Netcall, hosted on-premise
 - d. A mobile telephony service provided by NFON and backed off to Mobile Network Providers
2. A contract with for telephony used by Hackney Education
3. Legacy telecommunications such as ISDN and private wires provided by Daisy and BT costing £95,000 per annum

This procurement relates to 1a, 1b, 1c and 2 (which must be fully interoperable). There is already a contract providing mobile phone SIMs (1d).

Security and privacy aspects have also been considered and all the major platforms have clear GDPR, ISO27001 and PCI Data Security Standard compliance statements and certifications. These requirements were reflected in the UK Government's Technology Code of Practice previously adopted by the Council.

6. User Needs

The Telephony Service has three primary user groups with different needs:

- a) citizens of Hackney communicating with officers of the council,
- b) council contact centre teams handling inbound queries,
- c) and staff with general internal and external communications needs.

The needs of these user groups have been established through direct user research and creation of user stories.

This table shows a sample of user needs that have been identified during the research phase and are derived from over 300 user stories captured during 28 interviews:

User needs
As a resident, I want to contact the council with a query so that I can get my problem resolved through the channel of my choice.
As a member of staff, I want to receive, transfer and make phone calls to residents and other members of staff so that I can manage call demand.
As a member of staff, I want to receive, transfer and make phone calls without revealing my personal mobile numbers that I can communicate with residents safely and securely.
As a member of contact centre management, I want to track, manage and quality assess the calls that we handle so that I can continually and proactively improve my service to residents.

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As a member of the ICT Support team, I want to easily configure the telephony systems so that I can respond effectively to the needs of the Contact Centre and back office teams.
As a member of contact centre staff, I want a consolidated view of a Resident so that I can better engage with our residents and users.

As a member of contact centre management, I want to track and manage demand so that I can deliver an efficient and proactive service to our residents
As a member of London Borough of Hackney Council management team I want access to the appropriate skills so that I can ensure engagement with residents is managed by the appropriate team.
As a member of contact centre management, I want to provide residents with the appropriate communication channel so that we ensure digital inclusion across all of our communication.
As a member of London Borough of Hackney Council management team, I want to adopt consistent ways of working across CCC teams so that I can benefit from more efficient support and improved training.
As a member of staff, I want access to appropriate tools so that I can manage my workload to meet demand.
As a member of contact centre management, I need access to appropriate data so that I can make better-informed decisions about the services we offer both our residents and our stakeholders.
As a member of London Borough of Hackney Council management team, I want our products and services managed effectively so that we can offer improved value to our teams, to our residents and to our stakeholders.
As the London Borough of Hackney Data Protection Officer, I want the strategy to help me make services appropriately secure to allow us to meet our obligations to citizens privacy needs and comply with data regulations.

- 6.1.** Cloud communications companies, also known as Communications Platform as a Service (CPaaS) providers, offer a number of API-driven services so that either HackIT or another service provider can develop the front-end communications capabilities and applications for users to consume and swap in and out as required, particularly through use of the HackIT API platform.
- 6.2.** The latest developments and innovations include “conversations” APIs for omnichannel engagement, integrated call centre solutions and menu-driven low-code application flow building, which could allow in-house HackIT application development opportunities and better integration into the HackIT API platform.
- 6.3.** The entry into the market of hyperscale cloud providers such as Google, through its Voice product, and Amazon in the guise of its call centre solution, Connect, is interesting and will be kept under review, but their products are by comparison still in early stages of development and are not comparable to the offerings from the market leaders.

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- 6.4.** There appears to be a cultural difference between the various vendors in the marketplace that break-down into one of two types. Either the vendor has started from the ground up, building a succession of APIs for ever-increasingly complex components of the CPaaS stack, or they are an organisation that has assembled a number of products into standalone silos and are slowly integrating them. Vendors of the former type appear to align more closely with the HackIT approach.

7. Key considerations

7.1. As a result of this it was particularly important to ensure that:

- a) We understood the security of the solution, could integrate it with Google Single Sign On and understood how to manage the data to protect residents' personal information
- b) The vendor offered a true public cloud service - not just hosting on their own infrastructure
- c) The APIs were well documented so that we could personalise the service we provide to residents, continuing to work in partnership with local SMEs to ensure that systems for staff
- d) We understood how to ensure the services for residents and staff worked for people with access needs
- e) The pricing model was transparent and flexible, enabling us to only buy what we need and to vary this dynamically based on the changing requirements of the Council

7.2. We explored two government frameworks for the purchase of telephony. The Network Services 2 (RM3808) and the Digital Marketplace (G-Cloud 12 RM1557.12). The first framework identified 8 prospective suppliers (who responded to the Council's RFI) but they were offering one of two possible solutions. In particular, these were 'unified communications' offers with a single supplier.

8. Evaluation

The highest scoring solution for both the Communications as a Platform offering and Contact Centre solution was Supplier 2. The evaluation of the solution is repeated below to support transparency.

Table 1 - Evaluation for Telephony Cloud Solution

	Supplier 1	Supplier 2
Quality Score	21	22
Quality %	38.2%	40.0%

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Price (2 yrs)	£934,980	£827,400
Price %	35.4%	40%
Total %	73.6%	80%

Quality maximum score available 33 pts for the 60% quality score.

Price maximum available 40%

Table 2 - Evaluation for Contact Centre Cloud Solution

	Supplier 3	Supplier 4	Supplier 2
Quality Score	25	19	29
Quality %	45.5%	34.5%	52.5%
Price (2 yrs)	£792,436	£303,772	£284,918
Price %	14.4	37.5	40
Total %	59.9%	72%	92.5%

Quality maximum score available 33 pts for the 60% quality score.

Price maximum available 40%

Following feedback from other commercial organisations we have reproduced the evaluation of the lower scoring bids in an appendix which is exempt from the public documents.

9. Annual revenue costs:

9.1. The software is expected to cost the following:

	Annual cost, assuming 4,250 connections	Most likely scenario Annual cost, assuming 3,500 connections	Annual cost assuming 3,000 connections and automated service for transactions
Communications as a Platform	£413,700	£344,160	£294,480
Contact centre solution	£142,459	£142,459	£225,319
Annual revenue cost	£556,159	£486,149	£519,799

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9.2. This compares to the current costs as follows:

A cloud-based Voice over Internet Protocol (VoIP) communication system A cloud-based customer contact centre system	£460,062
A voice-activated switchboard hosted on-premise	£13,161
A customer satisfaction tool	£38,000

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Legacy telecommunications such as ISDN and private wires	c. £96,000
A telephone system operated previously by Hackney Learning Trust	£45,391
Total	£652,614

9.3. There are four variables which might affect the total life cost of the service:

1. Our ability to actively manage the number of connections
2. The number of call minutes required (which may decrease as a result of increased use of GSuite tools, increase as a result of a higher quality mobile application and/or with continued home working)
3. The higher costs associated with automation, which would presumably be offset by efficiency savings elsewhere
4. The speed of change affecting in-year costs in the first year (eg. The visibility of the legacy telecommunications), For example, there are no technical barriers to switching the legacy connections. In practice, though, there will be a degree of investigation to audit each connection and arrange for its safe transition (eg. changing connection of a lift alarm will need minimum downtime) and we'll need to understand the cost/benefit of this work

10. MANAGEMENT OF THE SERVICE

10.1. Purchasing a commodity product from a global supplier means that we have limited influence over the delivery of the product. We have prioritised companies that can offer 99.99% availability and assured ourselves that the technology is designed in a way to support this.

10.2. We will achieve the best value from the contract by managing connections carefully. For the first time, responsibility for telephony will sit clearly within the corporate ICT

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part of the customer and workplace division and telephony and the contact centre software will be managed by a named manager within ICT.

10.3. As part of the transition to the new provider, we will need to rebuild the list of users and phone numbers because of the outage of Active Directory. Through this process it is envisaged that the total number of phone lines required will be in keeping with the number of staff employed (when accounting for public-facing numbers netted off from the staff that don't require a connection) rather than the 5,277 lines currently in issue.

10.4. We will manage connections as part of the joiner, mover, leaver process with an 'opt in' process for new joiners rather than an assumption that they need a phone line.

10.5. The Platform Service approach means that we can have real time visibility of the performance of the product and build the internal skills necessary to ensure we're delivering easy to use experiences to residents and staff rather than having to 'take what we're given' from a single vendor.

11. SUSTAINABILITY ISSUES

Purchasing a global commodity solution limits the prospects for prioritising our sustainable procurement objectives because there are high costs of market-entry. However, we have considered these issues in the design of this procurement

11.1. Procuring Fair

We will look to partner with an SME in the design and rollout of the solution, rewarding those companies with a commitment to providing local employment opportunities and with a workforce that reflects the diversity of Hackney's population.

11.2. Procuring Green:

The move to a browser-based phone system enables us to avoid purchasing bespoke handsets and other associated devices which would have a significant cost on the environment.

The move away from software that's hosted on-premise provides an opportunity to ensure that we're benefiting from the environmental offsets that a larger cloud provider can ensure.

12. Equality Impact Assessment and Equality Issues:

12.1. The accessibility of the telephony service for residents and staff formed a key part of our selection process. We know that phone-based contact with the Council is vital to ensuring we continue to provide services in a way that's convenient for all our residents. This will involve different channels (including text-to-speech, screen readers and voice-activated services).

12.2. Staff also require accessible phone systems which, when accessed via a browser, support accessibility tools such as screen readers.

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13. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

13.1. The 'unified communications as a service (UCaaS)' contract was considered. UCaaS is a single ready-made platform through which organisations access different services, such as phone, video calling, call recording and so on. This option was rejected because we believe that a unified approach would:

- a) Involve greater compromises of how the solution meets specific user needs (eg. some UCaaS providers excel at contact centre solutions, others at telephony);
- b) Increase the risks associated with vendor lock-in;
- c) Reduce our overall agility - whether operational flexibility or adaptability to changing technology and;
- d) Require us to develop skills in a single solution and therefore the skills would be less transferable.

14. Timetable

The procurement timeline is outlined in the table below:

Key Milestones

Business Case Presented to CPC	09/11/2020
Supplier shortlisting and evaluation under the terms of G Cloud procurement framework	November-January
Procurement Report Presented to CPC	February 2021
Award Contract	9 March 2021
Contract start	1 May 2021

14.1. Key Performance Indicators

Main KPI Targets Set	Monitoring
Number of connections	Monthly
99.9% Availability (measured by total minutes lost due to connection issues)	Monthly
Number of customer journeys identified for improvement as a result of improved MI	Quarterly
Number of legacy connections decommissioned	Quarterly
Increase in first contact resolution	Monthly

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15. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

15.1. This report requests approval to award a contract to provide telephony services to supplier 2 for the period of 2 years with an option to extend for 2 x 1 year periods.

15.2. The cost of the proposed new system will depend on the number of connections and usage. The contract will also need to be managed to make sure that each connection is on the most appropriate tariff to get the best price.

15.3. The estimated annual cost is **£556k** based on 4,250 connections. In order to achieve a lower cost the number of connections needs to be managed, part of this will be an 'opt in' for new starters, rather than an assumption that everybody needs a connection.

15.4. The current costs of the existing system are as follows;

VOIP, Contact Centre & Switchboard	£420k
Account Management Costs**	£50k
Legacy lines	£96k
Telephony System operated by Hackney Education	£46k
Bright Navigator (paid by Cust Servs)	£35k
Total	£647k

** Account Management Cost per annum is £74k, this isn't broken down across the different elements of the contract with the current supplier which includes landlines and mobiles. The cost identified here assumes a pro rate allocation based on cost of each element.

There are a number of financial risks associated with this contract as outlined below

1. ICT have advised we currently have 5,277 connections, assuming a pro rate cost per connection this would take the annual cost up to **£690k**. To mitigate this risk ICT have advised that the directory needs to be rebuilt due to the Cyber attack and this should eliminate unused connections, many of which remain when staff have left. Only connections that are requested will be added to the new contract and the expectation is that this will be closer to 4,250 which is more reflective of the current staff numbers.
2. The Legacy lines cost ICT £96k but across the council the cost is closer to £150k with many services paying a small amount for 1 or 2 lines. Being able to reduce this cost will depend on the ease of identifying the lines, and then if they are still needed there will be a cost associated with transferring them onto the new contract. Unidentified lines can't just be disconnected, as they may, for example, be linked to a lift alarm. It is likely this cost will reduce slowly over a number of years.

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3. Implementation and roll out of the new contract. ICT have advised that under normal circumstances this would be done with the service's existing resources, but due to the cyber attack there is stiff competition for limited resources and it is likely that there will be an additional cost associated with this, which is not yet identified or costed. Even when the rollout is completed, the contract will need to be managed to ensure that the number of connections is kept at the level that is required and no more, and that each connection is on the most cost effective tariff.
4. The account management charge paid to the current supplier is payable in full until the contract ends. The prices for the mobile phones, which are outside of the scope of this procurement are not yet available, and may also carry an account management charge. A recent procurement for iPad sims did achieve a saving but this is not guaranteed on the mobile phones.

Current Budget Position

The current costs are split across several different cost centres, all of which have budget pressures.

Service	Budget	Current cost	Value of current cost in scope of this procurement	Comment
Corp ICT	£948k	£996k	£566k	Mobile cost not included in procurement
HE ICT	£15k	£46k	£46k	HE ICT budget recently transferred to Corporate with overspends

Cust Service	£14k	£35k	£35k	Head of Service covers ICT and Cust Service, would have to manage budget pressures across both
Total	£977k	£1,077		Current combined overspend of £100k across relevant budgets

The Procurement will contribute towards addressing the overspend if the contract is managed as outlined in the business case, and the number of connections and tariffs can be managed, and legacy lines can be identified and reduced. There may also be future opportunities to reduce resources through automation. Achieving either of these outcomes will require resources to manage it, and identifying this may be challenging at the present time.

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16. VAT Implications on Land & Property Transactions

16.1. No implications identified.

17. COMMENTS OF THE ACTING DIRECTOR, LEGAL & GOVERNANCE SERVICES

17.1 This Report recommends the award of a contract to Supplier 2, who will provide two products under the contract: (i) Communications as a Platform, and (ii) Contact Centre Software.

17.2 The contract will be for 2 years, with a Council option to extend by 1 year plus 1 year (2+1+1).

17.3 The contract value over the maximum term of 4 years is in excess of £2million and as a Medium Risk contract, Contract Standing Order 2.7.7 requires approval of contract award by Cabinet Procurement Committee.

17.4 The contract has been procured via the G-Cloud Digital Marketplace Framework in accordance with Contract Standing Order 2.1.8 and this is a compliant procurement route according to The Public Contracts Regulations 2015 (as now implemented in the UK pursuant to the Brexit Trade and Cooperation Agreement).

18. COMMENTS OF THE PROCUREMENT CATEGORY LEAD

18.1. This procurement has been classified as medium risk and this report has been prepared for Cabinet Procurement Committee's consideration due to the value of the overall contract for the maximum period of 4 years (fixed for 2 years with the Council retaining the option to extend for a further 2 years).

18.2. The procurement and evaluation of bids has been carried out with the support of the

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Procurement Category Lead and in accordance with the Council's CSO's, procurement guidelines and EU procurement regulations. The procurement exercise was undertaken via the G Cloud Digital Marketplace and is a compliant route to market.

EXEMPT

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BACKGROUND PAPERS

None

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In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

Report Author	Matthew Cain, Head of customer services, digital and data 020 8356 2626
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APPENDIX 1

UK Government's Technology Code of Practice

1. Define user needs

Understand your users and their needs. Develop knowledge of your users and what that means for your technology project or programme.

2. Make things accessible and inclusive

Make sure your technology, infrastructure and systems are accessible and inclusive for all users.

3. Be open and use open source

Publish your code and use open source software to improve transparency, flexibility and accountability.

4. Make use of open standards

Build technology that uses open standards to ensure your technology works and communicates with other technology, and can easily be upgraded and expanded.

5. Use cloud first

Consider using public cloud solutions first as stated in the Cloud First policy.

6. Make things secure

Keep systems and data safe with the appropriate level of security.

7. Make privacy integral

Make sure users rights are protected by integrating privacy as an essential part of your system.

8. Share, reuse and collaborate

Avoid duplicating effort and unnecessary costs by collaborating across government and sharing and reusing technology, data, and services.

9. Integrate and adapt technology

Your technology should work with existing technologies, processes and infrastructure in your organisation, and adapt to future demands.

10. Make better use of data

Use data more effectively by improving your technology, infrastructure and processes.

11. Define your purchasing strategy

Your purchasing strategy must show you've considered commercial and technology aspects, and contractual limitations.

12. Meet the Service Standard

If you're building a service as part of your technology project or programme you will also need to meet the Service Standard.