Executive   16 May 2006

Report of the Director of Community Services

Procurement of a Replacement Social Care IT System

Purpose of Report

1.   The report seeks agreement to move forward with contract negotiations, with Deloitte/Corelogic for a new adult social care IT system, and to extend the current contract with Careworks to provide a full IT system for Children's Services.

Background and Business Case

2.   The business case for replacing the current information system for social care was agreed within Community Services in 2003. Funding was approved, through the budget process for 2004/5, for a Project Team to support the specification, procurement and implementation of a new system. Members agreed to the procurement of a new social care system, through the IT Development Plan for 2005/6, with updated costing supplied in the IT Plan for 2006/7

3.   The current IT system is a bespoke system developed in partnership with the supplier in 1996, and covers both adult and children's social care. The supplier made it known in 2003 that the support and maintenance contract for the system would not be renewed beyond March 2006

4.   As a result of the Information for Social Care initiative, which links to the e – government agenda, significant further developments would be needed to the system to enable electronic records to be introduced and to facilitate electronic information sharing with customers and partner and contracted agencies.

5.   There is a business need to improve the activity and budget management information available, in relation to care purchased for customers, which the current information systems do not automatically link making it more difficult to track and manage commitments against planned care packages.

6.   At the time the business case was considered it was envisaged that an integrated system would be procured for both children's and adult's services, similar to the current system.

7. Since this time, Children's Services have been offered the opportunity to participate in a national pilot for the development of an 'Integrated Children's System', (known as RAISE, provided by Careworks)

8. This has delivered the ability to hold all assessment and care plans for children in an electronic format. The previous access database that had held this information was obsolete and needed to be replaced. The new system has also facilitated the production of required statutory returns and management information on children in need and children who are looked after by the local authority.

9. Considerable work and effort has been required from Children's Services to develop the pilot, but the system is now delivering positive results. At present the arrangement is that the use of the new RAISE system is still dependant on the current social care system (ISIS) as the main demographic data repository. However RAISE has the capacity to provide children's services with a full information system.

10. Within City of York Council, Children's Services are now no longer an integral part of Community Services, but part of the new Learning Culture and Children's directorate. This is in line with the Government's agendas for both children's and adults' social care. There continue to need to be important links between the two services, but other partnerships and links are coming to the fore for both customer groups. Careworks also supply the IT system used by the Youth Offending Team in York.

Procurement approach

11. The replacement project has been set up using Prince2 principles and approach in line with the recommendations from the Post Implementation Review of the Integrated Housing Management, Revenues and Benefits Project (reported to members in August 2004). It forms one part of a change programme that also includes delivery of business changes relating to Electronic Social Care Recording (ESCR) and Single Assessment Process (SAP),as well a review of the IT infrastructure within the department, and the current development of the Integrated Children's System.

12. A Programme Board, chaired by the Head of Community Services oversees the delivery of the whole programme. Project Boards exist for both the Adults and the Children's systems projects.

13. With advice from Central IT that the value of the project required an EU procurement must be carried out, it was agreed by the Programme Board to take a 'Negotiated Tender with advert' approach to the procurement. External advice was sought from the Office for Government Commerce (OGC) before this approach was agreed and it has been carried out following EU regulations and internal CYC Financial regulations.

14. The Most Economically Advantageous Tender (MEAT) approach was agreed by the board to be the most suitable evaluation technique for this procurement and the Board therefore set the cost/quality criteria for the evaluation.

15. The flexibility of this approach has ensured that Community Services have developed a detailed specification to contract with the supplier, and has the added benefit of allowing the procurement to proceed without a delay. It does not depend on having the right business processes in place at the outset of the procurement, and has allowed officers to review opportunities for business change through the demonstration of products on offer, and through the visits to other authorities already using the systems under consideration.

16. The approach also allows for a greater partnership approach to be developed in the relationship with potential providers, as the negotiations prior to a Best and Final Offer allow exploration of key issues and for joint consideration of potential ways to address these issues.

17. In November 2004 an OJEU notice was placed inviting expressions of interest in the delivery of a new social care system. Interested respondents were provided with a pre- qualification questionnaire and high level details of our requirements. The expectation was that these requirements would be developed through the negotiated tender process, to provide a detailed specification by the end of the process.

18. Potential providers have been evaluated throughout the different stages of the procurement process against agreed criteria, which feed in to an evaluation model, which follows CIPFA guidance. As the process has continued the suppliers have provided more detailed information, and the requirements for the replacement system have been refined. Annex A contains details of the evaluation model.

19. Five Suppliers were originally short listed from the 11 expressions of interest in response to the OJEU notice, using the pre-qualification criteria and high level specification and with advice from IT Procurement.

20. The shortlist did not include the provider of the piloted Children's system, (Careworks) who did respond to the OJEU notice, but did not provide sufficient information in the Expression of Interest to evidence that they currently had a system able to meet the adults' requirements.

21. The Programme Board reviewed the requirement for an integrated system at this point, and it was agreed that there were sound reasons to keep open the option that two separate systems might be deployed, rather than the initial proposal for an integrated system.

This was because the agenda for Children's and Adults' Social Care are now diverging.

22. Although Careworks had been excluded from the shortlist for an integrated system, they were considered to be a potential supplier for a children's system. This was because :

   - Considerable time and effort had already been expended in developing the RAISE pilot,
   - The RAISE system had been procured at a reduced price because of the pilot,
   - The information provided indicated they could meet the requirements for Children's Services for a replacement information system

23. A thorough review of the risks and benefits of procuring separate or joint systems was undertaken jointly between Community Service (Adults and Children's) and Resources (Central IT), with advice from the Council's Risk Manager.

24. The conclusion of this exercise was that the risks were finely balanced between the two options. The risks associated with procuring separate systems focussed mainly on the potential additional costs and overheads of two systems, including any need to interface and link the systems, and to duplicate links to other Council systems, such as the Finance system.

25. The risks associated with an integrated system were that the business investment in the current system would be lost (time, money, commitment and effort), that the key links for Children's services were increasingly external to Community Services and so would still require separate interfaces, and that the project would be delayed if Children's Services requirements were brought into the negotiation of the adults system at the point which we had reached in the procurement exercise. Delay would bring significant risks because the current ISIS system will be unsupported from April 2006. The longer it is necessary to use the system without full support available the higher the risk of a failure that would impact on critical business processes.

26. It was agreed by the Programme Board that the risks relating to procuring separate systems could be better managed than the risks if an integrated system were to be pursued. The risks would be managed through a parallel procurement exercise, which allowed some comparison of costs between integrated or separate systems. If the costs of the two systems should be in excess of the indicative prices provided for an integrated system, the integrated system could still be an option.

27. All providers were formally advised of this change in approach, in writing, with an explanation that a parallel evaluation would be undertaken, with the option that an integrated system might be

reconsidered, at a later point in the process. No objections were received from any of the providers to the change in approach.

28. The short listed systems therefore were primarily evaluated in respect of the Adults' functionality. At the same time an evaluation of the RAISE system functionality was undertaken to establish if it could meet the full requirements of Children's' Services.

29. The Childrens's functionality requirements were also evaluated against the shortlisted Adults providers for comparison.

Options
30. The options are:
   - Option One: to procure an integrated social care information system for adults and children's services
   - Option Two: to develop separate systems for Adults, and Children's.

31. The results of the evaluation were that Deloitte's were the preferred supplier for either an Adults Social Care Information system, or an Integrated Adults and Children's system.

32. However there are strong reasons to replace the current system with separate systems, (Deloitte/Corelogic for Adults and Careworks RAISE for Children's) which are explained in paragraphs 60-66.

Procurement Process
Adult's procurement
33. The procurement process has followed proper and agreed procedures, in line with financial regulations and European Union legal requirements.

34. The Programme Board agreed the evaluation model, (Annex A) based on CIPFA guidelines. Annex B gives details of the stages of the procurement and evaluation. Evaluation was carried out through scoring of:

   - demonstrations of the products to a wide range of staff
   - 'hands on ' testing of system by key users
   - references from other local authorities
   - reference site visits by key users
   - submission of specifications by providers
   - submission of Best and Final Offers for costs

35. Two systems reached the final stages of the evaluation process: Deloitte/Corelogic and OLM. Representatives from Children's Services received a demonstration of both systems, to enable them to make a high level evaluation of the options.

36. The results of the evaluations were considered by the Programme Board at relevant stages of the process, and were used to reach the

recommendation that preferred supplier status be awarded to Deloitte

Children's' Procurement

37.   The current contract with Careworks was drawn up in accordance with City of York procedures, with appropriate checks and references being taken. The contract covers the running of the pilot of the RAISE system with Careworks, but it allows for the continuation of the contract beyond the pilot stage of the system development. The contract would need to be updated to cover any additional functionality that is required.

38.   This would be achieved by a change control to the existing supply and support contract to encompass the new functionality, ensuring that the Council is contractually protected against failure to deliver with the associated remedies and warranties.

39.   A procurement exercise was carried out to expose Careworks to competition and to ensure that the Council were receiving the best system for its needs.

40.   A full specification of the functionality required by Children's Services has been developed, therefore, and Careworks were asked to submit a response to the specification, together with a Best and Final Offer (BAFO)

41.   This response has been reviewed to ensure that it will meet York's requirements, and the price has been compared to the indicative costs from Deloitte and OLM for an integrated system to establish whether the cost of separate systems can provide at least a similar value for money as an integrated system.

42.   The full specification that Careworks have submitted will form part of any extended contract. Children's Services will acceptance test for additional functionality in accordance with the procedures and remedies available within the contract.

Analysis - Evaluation results

43.   Annex C provides information about the evaluation results for both Deloitte/Corelogic and OLM.

44.   In summary the Deloitte/ Corelogic bid scored higher than the OLM bid on all aspects. The evaluation in respect of costs for OLM includes a notional amount per annum (£11K) for upgrades that could need funding over the lifetime of the product and shows the full cost of the system including some modules which already in use within Department (Supporting People and Fairer Charging).

45.   The following table outlines the overall scores from the evaluation model for the two adult systems.

	Functionality	Supplier capability	Technology	Cost*	Total scores	Percentage of marks

						available
Deloitte/Corelogic	3623	1089	1209	1226	7147	72.9%
OLM	3482	909	1128	1174	6692	68.2%

* see paragraph 44 above

46. The price difference between the two Best and Final Offers (BAFOs) reflects the costs that would actually need to be funded (i.e. excluding the modules already implemented for OLM). The Deloitte bid is higher by £41k over five years, once the OLM modules already implemented are disregarded.

47. As well as the formal evaluation, the Project and Programme Boards have taken account of some 'softer issues'.

48. These included issues in respect of a current OLM system that is operational in Community Services. These issues have to be seen in the context that City of York has no comparable experience of a Corelogic system, and so their likely conduct during implementation and in provision of support is unknown in terms of risk beyond references from other sites. Deloitte has worked with the Council, in the Easy@York programme, and are considered to have delivered as per the contract specification.

49. The implementation of 'Fairer Charging and Supporting People' system from OLM was undertaken between 2003 and 2004. It was procured on the basis that it would not influence a decision on the replacement system for ISIS, although it was recognised that the modules already purchased could link in to a full OLM social care system.

50. However the implementation of the Fairer Charging system raised some concerns that OLM was not as responsive and proactive in resolving issues as would have been expected. These issues were raised with OLM during these negotiations, and OLM acknowledged that they have now made alterations to their project management approach for implementations, which would address the concerns that York has raised.

51. Although the system does now perform most key actions that were required, there have been several work-arounds required, and the system is not as integrated as had been expected.

52. During the tender processes Deloitte and Corelogic were perceived to be more flexible and able to respond to the requirements of the authority, and of the negotiation process, in a more proactive and productive way than OLM.

53. The Children's functionality was not brought into negotiations with the Adult's suppliers, because it was agreed that a full negotiation of all three systems would bring delay and additional risk to the whole programme. However Children's Services have evaluated the functionality available in both OLM and Corelogic, and have agreed

that the Deloitte/Corelogic system would best meet their needs should an integrated approach be chosen.

54. There are issues for Children's services about the embedded Document Management system currently provided by the Corelogic system. It does not yet meet a key national standard which relates to admissibility of records in court. There is a commitment and a plan from Corelogic to reach this standard, but it would not be available for the projected go-live date. This will be an issue for Children's Services, where there is a potential for any case to involve court proceedings. The same consideration is not so critical for Adult's Services.

55. The evaluation of OLM found one essential area of functionality which is not available, and which OLM advised they have no current plans to provide as part of the agreed upgrades.

56. The RAISE system meets the requirements specification for a full Children's system, although there are some enhancements that will be required . Similar work would be needed on Deloites/Corelogic., and both suppliers are able to commit to provide this functionality. There are no concerns about supplier capability, or technical requirements in relation to the Council's infrastructure.

57. The RAISE system will require use of a third party Document Management System (DMS) , to deliver electronic records. The proposal from Careworks is to link RAISE to Anite Documents at Work. This is a DMS system already in use within the Council and within Community Services, and it offers the best solution to allow Children's services to meet requirements to safeguard information and ensure admissibility in a court hearing. This does add to the costs for Option 1, however.

58. If RAISE is used for the Children's social care information system it will reduce the costs for the replacement server needed for the YOT system

Conclusions

59. It is the view of the Programme Board that Deloitte/Corelogic offer the best value for money for an adults system. Deloitte scored nearly 5% higher in the evaluation scores than OLM. Over five years, based on the known costs, OLM would be 3.5% lower in price.

60. The pricing models used by both companies is different, and therefore the price difference per annum varies between Deloitte being 10% more expensive and 7.6% less expensive than OLM.

61. The known prices for the project show the Deloitte bid as £41k more expensive than OLM over five years. Deloitte had a lower tendered price than OLM, however as the Council has some investment in the OLM product the actual cost to the Council for the Deloitte/Corelogic system is higher.

62. There are still unknown costs within the OLM bid, notably the potential need to pay for upgrades to the system. The support arrangements for the Corelogic system will incorporate 'future proofing' with the delivery of enhancements at no additional cost.

63. It is expected that there will need to be changes made to IT systems for example to respond to expected changes in social care as a result of the recent White Paper 'Our Health, Our Care, Our Say'. Therefore it is anticipated there will be additional costs for the OLM system over a five year period.

64. The Corelogic system scored consistently higher with staff in terms of functionality and ease of use. Staff buy-in will be important in ensuring that the best use is made of the new system and the benefits it can deliver in terms of improved information and more efficient business processes.

65. The Corelogic system has a better technical fit with York's requirements, in that it has less demand for server capacity, and does not require the introduction of a new third party Document Management System into the Council, because it will use embedded document management capability.

66. As a result of the negotiations there is more confidence in the approach taken by Deloitte and Corelogic being able to deliver what is required within agreed timescales.

67. Careworks RAISE system is considered to be the best option for Children's services because

- It will require less time and resources to complete the functionality of the RAISE system than it would to start again with an integrated system. Additional project resources would be needed, and more staff released from the business, to ensure that design, build and testing of an integrated system meets children's requirements.
- Implementation of an integrated system would mean duplication of time and effort that has already been put in to the RAISE development and would risk staff disillusionment and disengagement with the current pilot. This would bring further risks if recording is not then maintained to a high standard
- An integrated system would require Children's Services staff to be retrained to use a different system.
- Children's services are now part of Learning, Culture and Children's Directorate, with more of their business and information links developing in areas other than adult social care
- There would be an estimated saving in the costs of a new server for the Youth Offending Team of £20k, because the two systems can be linked

- Experience with the combined Revenues Benefits and Housing IT system suggests that establishing support priorities across directorates will be complex and complicated to manage.

Legal Implications

68. The procurement has been undertaken in line with EU regulations and internal financial regulations.

69. The Negotiated Route was the most appropriate use of EU regulations for this project under Article 13b of the new consolidated procurement directives which states that:

    a. *Exceptionally, when the nature of the work or works to be carried out, the good or goods to be purchased or hired, or the services to be provided under the contract or the risks attaching to them are such as not to permit prior overall pricing*

70. The replacement for the ISIS system, although containing some replacement functionality also contained technical, functional and performance elements of the system that were not proved in the market place and the specification of some of the services and products on offer for these elements (SAP and information sharing) could not be achieved until advice has been received on these issues from the suppliers selected in the negotiations.

71. A contract will be negotiated ensuring that the appropriate warranties and remedies are available to the Council to mitigate against the Supplier's failure to deliver. Payment will be in accordance with payment milestones against agreed deliverables. External specialist IT legal advice will be taken up for the more complex area's of the Contract.

72. Financial regulations have been followed for the Children's procurement ensuring competition and comparison of the RAISE product against the 2 adults systems in terms of both functionality and cost to ensure best value has been achieved for the Council.

73. A financial waiver was granted for the initial procurement of the RAISE system.

Financial Implications

74. The scores for costs form 20% of the overall evaluation score for Deloitte and OLM. This is in line with the 'MEAT' evaluation criteria, set by the Board at 80:20 split between quality and cost elements, provided the outcome fulfilled the affordability test and was in budget.

75. The actual cost differential between OLM and Deloitte, in reality, is not a big issue. Deloitte's bid costs only £41k more, over five years; that is 3.5% higher than the OLM bid.

76. Confidential Annex D shows the costs for the options and the funding available.

77. With regard to the options for separate or integrated systems, the recommended option, Option 1, to develop separate systems, is more costly, by £182k over 5 years. The difference in cost per annum varies between an additional £31,400, and £45,400 a year.

78. This is primarily because there will be a need for a separate Document Management system for Children's services, to ensure electronic records can be delivered to a standard that is likely to meet requirements for any court cases.

79. This comparison of costs for the two options does not include any additional implementation costs for an integrated system. This will be needed to cover additional training costs, retraining children's services staff in the use of a new system. It will also include duplication of design, build and testing effort for a new system, with an increase in project team resources and business staff resources required to support this. Officers estimate that additional costs could be in the region of £100,000. This would bring the difference in costs between the two options to £82k over five years

80. Both Options 1 and 2 are affordable within the budgets available for the purchase of the new IT systems.

HR Implications

81. Staff will require support and training to implement and use a new system. The implementation project will address issues relating to staff training needs.

82. IT Support staffing will be reviewed during the project, and with advice from the selected supplier to ensure appropriate skills and resources are in place to provide support for the use of the new application(s).

Sustainability

83. There are no significant sustainability issues relating to the choices within the procurement. The Deloitte system will require less access to high specification servers that will reduce both space requirements and energy requirements and already meets future requirements for fully web-enabled services.

84. All of the systems will support electronic record keeping, and will be able to support mobile working which will help to reduce the reliance on paper based records.

Crime and disorder

85. All of the systems will support the work of the department in protecting vulnerable citizens. One of the requirements for the replacement system is that it is capable of alerting staff to risks, and

to sharing information with other agencies where appropriate information sharing protocols are in place

Equalities

86.   All of the systems support accessibility standards.

Recommendation

87.   It is recommended that contract negotiations are pursued with Delloitte, and with Careworks, to purchase separate systems for Adults and Children's services, as outlined in Option 1 in paragraph 29.

88.   This will reflect the changing agenda for the different customer groups and can be achieved within the overall expected price for both areas of service. It will ensure that the investment in time, and commitment from children's services into the pilot system is not lost and that the requirements of both business areas are best met.

89.   It will provide Adult's and Children's services with high quality, flexible and dynamic information systems, that will be able to respond to changing statutory requirements at a known cost.

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