Update on Universal Credit (UC) Commercial Landscape

Issue: UC Programme Board requested an update on the commercial landscape for UC.

Recommendations/Decisions required:

Programme Board are asked to note the current activity and provide comment as appropriate.

For Information / discussion.

Timing: The Programme Board on 20 October 2016

Background

1. In November 2013, the UC Programme was re-set. As part of that re-set, a dedicated commercial team was put in place to provide commercial expertise to the UC programme. Overtime, that team grew to 12 FTE at its peak in 2015, processing in excess 345 contracts/work orders per year circa 29 per month. To date, from January 2016 overall volumes have increased to 355 contracts/work orders place, circa 39 per month. The complexity remains but the team has now reduced to 6 FTE as a result of smarter working and increased expertise.

2. The overall nature of the services being procured is largely stable, broadly covering: application development and application maintenance (AD&AM), hosting, telephony, resourcing and software. Government and DWP frameworks were leveraged to ensure that value for money were achieved and risks mitigated through contractual certainty.

3. In the period September 2015 to September 2016 the following was spent on third parties:
   a. Live Service - £45.73m
   b. Full Service - £10.85m
   c. Security IT - £5.76m
   With an overall total supplier spend of £62.34m

A breakdown of Actual spend 2016/17* and rolling year is available at Appendix 1

* includes staff costs and depreciation
Live Service Historical Position

4. The systems and infrastructure of the Live service have historically largely been developed and supported by IBM, Accenture, BT and HPE supporting a range of core platforms such as WSP, Cam-lite etc. To facilitate this work a number of large outsourced managed service contract vehicles were created for DWP (ADEP and SSBA) and these have been leveraged to deliver these major systems and applications, including the ongoing maintenance.

Live Service Current Position

5. As the operating model in DWP Digital evolves, there has been a move to reduce the reliance on externally managed service providers and build capability for AD&AM services in-house. With the need to run the Live service with greater capacity for longer there is a need to review how this is supported. Additionally, the key commercial vehicles are coming to expiry and as a result a number of key decisions have been/are in the process of being made in terms of the longer term future support for all DWP systems including UC Live Service. See Appendix 2 for details of individual system positions.

6. **Live Service R12 update** - We are currently working through the requirements for Release 12, which will be used to ensure that the systems are fit for purpose for the increased volumes that they will need to support. Costs are being established and prioritisation decisions will need to be made to ensure we get the right balance between technical change and operational improvements.

7. These changes are currently estimated at circa £15m and from a commercial perspective we will be utilising existing commercial vehicles and as such there is little room for rate challenge, however, we would expect to deliver efficiency challenges. The scope is not fully agreed and design teams are working through the details but the current range of requirements being reviewed are as set out below:
   - Application Development Design, Build and Test Contracts from IBM and Accenture;
   - Test Environment Estate Provision and Management from HPE;
   - Performance testing;
   - Possible hosting capacity increases;
   - Impact/possible uplift to Disaster Recovery provision;
   - Software/hardware licence renewal plans – i.e. if the service is going to run for longer there may be maintenance renewal and full software repurchases that we hadn’t previously considered; and
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- other technical and infrastructure changes (rather than just functional design changes) that are required to support operations, i.e. improving how we run batches, or manage and support the systems to operate smoothly under an increased load.
- Impacts of transition and migration – at some point in the near future the changes to the UC systems/applications and infrastructure required to facilitate the migration and transition need to be made, which will also bring costs, those requirements haven’t been articulated yet.

Full Service Background

8. The decision was made to set up an in-house development team to deliver the Full Service. A secure development hub was set up in Victoria Street (previously Olympic Delivery Authority - ODA) with its own infrastructure and connectivity including development, test, staging and production environments. The Hub was initially driven and resourced via GDS with a move to external contractors recruited via the CL1 government framework. Over time there has been a shift to making these staff permanent, particularly at senior levels. Challenges in terms of capability and market price has resulted in an on-going need for external resources while the department review and revise workforce plans to fully remove the reliance on contingent labour and augmented resources.

9. The system is built to a micro service architecture utilising mainly open source products and standards. The UCFS environment is currently co-hosted on site in 10 Victoria Street and in a Cloud provided by SCC. This cloud has started to prove to be unreliable with a major outage in the summer and we are in the process of reviewing transition to Amazon Web Services as a result.

10. Commercial arrangements, in the main, have been restricted to commodity products including hosting, professional services and additional infrastructure and connectivity requirements sourced through existing government frameworks. In-house resources provide much of the service wrap support with additional minimal wrap procured from external suppliers. Service and systems integration activities will in cases rely on our DWP service providers eg RTE, supported by IBM and BT for connectivity. See Appendix 3 for a list of frameworks.

11. To alleviate significant in-house operational challenges, the telephony appointment booking service was outsourced to Capita for the delivery of the Initial Work Service Interview appointment via an extension to an existing DWP contract in March 2015. This and further extended to co-terminate with the overarching contract in February 2017. Following commercial competition, a new contract has been awarded to 🟢 to continue to provide these services to July 2018 at which point appointment booking will be delivered via in-house resources. Costs for these contracts are excluded from the 3rd Party costs as provided in this paper.

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12. At an operations level there was a requirement as the service scaled to provide capability for Workforce Planning and Case Progression and also the ability to provide appointment booking services to free up agent capacity within our service centres and give them more time on case management. Two strands of work were set up as a result of this:

- Appointment Booking – Via G Cloud Lot 3 SaaS, BookingBug was selected to deliver a basic appointment booking solution. Subsequently, given the challenges of integration and the potential for wider use across DWP, there is a need to review what the strategic solution should be. A review is underway with options to potentially build an in-house solution or to engage a strategic outsourced provider. This decision will be taken by the end of 2016 for the strategic solution to be ready for deployment in 2017. Costs to date are £123,059.

- Case progression – 2000 licenses were bought from BT to enable a test and learn for the Genesys IWD product. These are currently deployed and being evaluated, due to complete in late 2016. This evaluation will determine if IWD is selected as the strategic solution or if there are viable alternatives, including building capability within the UCFS Core Product. These licenses have been procured via the extended ICONS as an outright buy and are hosted in the SCC cloud. Summary costs to date, including Test and Production licenses, professional services and Hosting, currently stand at £5,320,112.

13. Following recent outage issues with our current Hosting provider (SCC) further technical work to accelerate plans to transition to multiple availability zones via cloud based commodity hosting is ongoing. The current assumption is that we will take advantage of the new DWP G-Cloud contract with Amazon Web Services to host the UCFS environments in the whole with development and support infrastructure remaining on site but moving from Victoria Street to Caxton House. Costs are currently being validated with expectations that migration activities will commence mid 2017. The current SCC contract is to be uplifted and extended to mid 2017 to enable safe transition.

14. The DataWorks Platform, a key requirement of the programme to deliver operational MI & BI, has been delivered through a mix of an internal team supported with external specialist and niche support currently obtained via Valtech. We are currently seeking to reduce our dependency on Valtech and running a number of commercial activities to reduce and replace this contract by end of 2016, whilst permanent recruitment activities are on-going.

15. The security activity to date has been constrained to some software services purchases such as Darktrace and Cyber Security Specialist resource to design and build functionality. We are in discussion with the security team around current and future requirements around accreditation services and security audits and assurance reviews.
Current Challenges

16. The disaggregation of key application development and maintenance contracts provides a short term challenge but also an opportunity to review delivery and optimise internal capability moving forward. As a result, there is a need to re-balance external resources to support resource augmentation and co-location working to support an in-house model delivered through new commercial vehicles for resources, including the Digital and Outcomes Specialist (DOS) framework.

17. These older vehicles are more difficult to achieve savings from as rates are fixed but savings are being delivered through efficiency challenge and work packaging, circa £1.5m for 2016 to date.

18. Utilisation of new commercial vehicles to support agile development in aggressive timescales creating changes in commercial needs on a frequent basis. The restrictions of government procurement regulations restrict speed to market and single tender options so active planning is important.

19. As previously advised to Programme Board, we continue to work with CO, HMT and GDS to agree a suitable route forward for UC contract approvals. In the meantime we continue with the process as set out in Appendix 4.

20. We are also continuing to work closely with the Local Authority (LA) IT suppliers to ensure that value for money is maintained as they deliver IT solutions to LA’s that require UC funding. To date we have taken over £2m out of the original proposed costs.

Decision / Recommendation
- You are providing information only.
## Appendix 1 – Spend Breakdown

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**Note:** The table above details the monthly spending breakdown for Technology & Security and Housing & Utilities. The figures represent the total cost for each category from December 2019 to December 2021.
Appendix 2 – Outline of Current Commercial Activity on Live Service Platforms

1. A summary of the current position is as follows:

   i. Work Services Platform (WSP)
      a) Currently supported by HPE for both AD&AMS. But will be insourced as part of ADMS Exit. Options for re-hosting being considered but likely to remain with HPE.

   ii. CAM-lite
       a) Currently supported by Accenture both AD&AMS but an in house team now in place for AD and working in parallel with Accenture. AM will also be transitioned in house. Options for future hosting will include AWS moving away from HPE.

   iii. UC Live Service
       b) Currently supported by Accenture and IBM. No plans to insource. Hosting will be re-let to HPE but as the SSBA exit comes in it will be re-let on a cloud contract.

   iv. NGS – will be insourced as part of ADMS

   v. RTE – insourced AD team in place, AM supported by IBM but plan to transition in house.
Appendix 3 – Full Service Routes to Market

1. Routes to market are FS Commercial Requirements, in the main, via Crown Commercial Services Frameworks, specifically:
2. Digital Marketplace (G Cloud)
3. Digital Outcomes and Specialist (DOS)
4. Technology Products and Services
5. CL1
6. Consultancy ONE
7. PSNC
Appendix 4 – Commercial Governance Outline

1. Under 100k
   • NO MCAT required
   • DFA and Budget approval
   • Commercial assurance

2. Over 100k but under £1m
   • MCAT required
   • CAB approval
   • DFA and Budget approval
   • Commercial assurance

3. Over £1m but under £5m
   • MCAT required
   • CAB approval
   • DFA and Budget approval
   • Commercial assurance
   • HMT approval

4. Over £5m
   • MCAT required
   • CAB approval
   • DFA and Budget approval
   • Commercial assurance
   • HMT approval including Chief Secretary Treasury
   • DWP Portfolio Minister approval

- UC approvals currently do not go to Star chamber or CO/GDS.
- CAB/CAG approve on a weekly basis
- HMT approvals less than £5m generally take around 1 week from point of submission
- PDE approval may be required for certain spend.