



COUNCIL CABINET
16 November 2022

ITEM 18

Report sponsor: Alison Parkin, Director of Financial Services
Report author: Toni Nash, Head of Finance, Resources

Compliance with Contract and Financial Procedure Rules

Purpose

- 1.1 To procure a new contract for up to 4 years to introduce a Chatbot solution to both Derby City Council and Derby Homes websites, and the contact centre telephony solutions.

Recommendations

- 2.1 To give approval for Digital Services to start a procurement exercise to introduce a Chatbot solution as outlined in section 4.
- 2.2 To delegate approval to the Service Director of Digital & Customer Management and the Service Director of Financial Services, in consultation with the Cabinet Member for Finance, Digital and Culture, to approve the award of a contract following the procurement exercise referenced in 2.1 based on the table in 7.4. and the associated use of reserves outlines in section 7.2.

Reason

- 3.1 To comply with Financial Procedure Rules and the Contract procedure Rules.

Supporting information

- 4.1 Derby City Council and Derby Homes are looking to work with a Supplier to introduce a Chatbot solution to both the Council and Derby Homes websites, and the contact centre telephony solutions. The outputs to be delivered are:
 - Citizen Assistant on websites
 - Citizen Assistant Telephone Skills on contact centres
 - Live Chat Handover to contact centre agents.
- 4.2 These will deliver the following outcomes:
 - Answers questions and provide answers from a pre-trained knowledge base and websites
 - Be accessible via a web browser and available on any device
 - Be accessible from existing websites
 - Integration with both Revenues & Benefits and Housing systems
 - Hand off from Chatbot to Live Chat

- 4.3 Initially, this project is focussed on delivering Medium Term Financial Plan savings in Revenues and Benefits and Customer Management.
- 4.4 Chatbot solutions are pre-trained in hundreds of local government related topics and all topics can go live on day one. A Chatbot solution will make efficiencies and savings in all contact centre teams across Derby City Council and Derby Homes. The Chatbot will continuously improve through supervised learning.
- 4.5 The Chatbot solution will make significant savings across Derby City Council and Derby Homes. Savings are based on a benchmark 21% reduction in contact volumes across e-mail, telephone calls and website channels. The potential savings are vast however the savings forecasted in the business case are 60% of the possible savings to be conservative.
- 4.6 It is recommended to give approval for Digital Services to start a procurement exercise to introduce a Chatbot solution
- 4.7 It is recommended to delegate approval to the Service Director of Digital & Customer Management and the Service Director of Financial Services, in consultation with the Cabinet Member for Finance, Digital and Culture, to approve the award of a contract following the procurement exercise referenced in 2.1 based on the table in 7.4. and the associated use of reserves outlines in section 7.2.

Public/stakeholder engagement

- 5.1 N/A.

Other options

- 6.1 N/A.

Financial and value for money issues

- 7.1 Capital funding of £0.168m is already profiled for the implementation of the Chatbot solution within the Digital by Default Solutions scheme in the 2022/23 capital programme.
- 7.2 Annual revenue costs of this proposal will be a maximum of £0.100m (per annum), split between Derby City Council at 73% and Derby Homes, 27% based on contract volumes.

Revenue costs of circa £0.200m (Years 1 and 2 of the contract) are to be funded from the capital receipts Transformation funding. Years 3 and 4 are to be funded from significant savings that the solution will deliver. Any future savings must initially pay for the revenue spend and only be offered to the MTFP net of this expenditure. Initial savings for this solution are within the 2022/23 and 2023/24 Medium-Term Financial Plan.

7.3 The total contract value over 4 years has been set at £0.8m combined for both Derby City Council and Derby Homes to allow the contract to be used for urgent and emerging projects / digital solutions using chatbot functionality over the length of the contract that have not yet been identified yet. However, budget has not been approved for any future projects and therefore approval would need to be sought for any additional projects or solutions.

7.4 To summarise, the contract value is broken down as follows:

Number	Description	Year 1	Year 2	Year 3	Year 4
7.1	Implementation (Capital)	£0.168m			
7.2	Maximum Annual Cost (Revenue)	£0.100m	£0.100m	£0.100m	£0.100m
7.3	Contract contingency - budget has not been approved for any future projects and therefore approval would need to be sought for any additional projects or solutions from the Service Directors of Digital & Customer Management and Financial Services.	£0.232m			

Total Contract Value £0.800m

Legal implications

8.1 Legal Service’s input will be sought throughout the process of awarding the contract.

Climate implications

9.1 All Climate Change implications will be reviewed as appropriate in each circumstance.

Socio-Economic implications

10.1 N/A.

Other significant implications

11.1 N/A.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal Services	03/11/2022
Finance	Alison Parkin, Director of Financial Services	
Service Director(s)		
Report sponsor	Andy Brammall, Director of Digital & Customer Management	27/10/2022
Other(s)	Ann Webster, Head of Equalities Linda Spiby, Head of Procurement Liz Moore, Head of HR Simon Riley, Strategic Director of Corporate Resources	27/10/2022

Background papers: N/A
List of appendices: N/A