NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO CABINET

Date 10th September 2014

REPORT TITLE ICT Consolidation – Renegotiation of Existing Software Contract

Submitted by: Executive Director, Resources & Support Services

Portfolio: Communications, Policy and Partnerships

Ward(s) affected: Non Specific

Purpose of the Report

To seek Cabinet approval to enter into a contract with the current provider of the Council's principal proprietary software that supports a range of statutory and major services.

Recommendations

a) **That Standing Orders Relating to Contracts be waived on the grounds of 2b in that:**

   (ii) the goods or services to be purchased are offered to the Council at a price substantially less than the lowest price at which the Executive Director would reasonably expect by the invitation of tenders ordinarily to be able to purchase the said goods or services;

b) **That the Council awards a contract to the existing supplier of the Council's principal proprietary software that support a range of statutory and major services for a period from 1st October 2014 to 31st March 2019.**

Reasons

a) This is high dependency software in that most major council services, including statutory services, are reliant on its functionality to support daily operations both internally between departments and externally to the public and partners.
b) The renegotiation of the existing agreement provides for the least disruption and no cost of change at a time of significantly reduced staff numbers and the need for budgetary savings.
c) The renegotiation has provided the opportunity to review current licences and maintenance etc. to ensure the council achieves best value at lowest cost.
d) The move away from the current software rental arrangement has provided the opportunity for cost savings.

1. **Background**

1.1.   The Council currently has proprietary software in place from a single supplier to underpin many of the functions of its major and statutory services across a number of directorates. This software was initially purchased to support the Development Control and Building Control services, and later to provide public access to planning applications over the web. This enables partners and interested parties to submit new planning applications or view/comment on existing applications to maximise public participation in the planning process, and accords with Government guidelines.

1.2.   Since its introduction, the software has been extended to other departments, which has enabled sharing of information, and integration with other services. This software is therefore fundamental to the daily operations of many areas including:
   - Development Control
   - Planning Enforcement
   - Building Control
   - Listed Buildings
   - Tree Preservation Order Management
   - Local Land Charge Searches
   - Estates Management
   - Estates Maintenance
   - Asset Management
   - Local Land and Property Gazetteer Management (BS7666 compliance)
   - Public Access – used for web access to planning applications.

1.3.   The software is fully integrated with the Council's Geographic Information System (GIS) and Electronic Document Management (EDM) system. The Local Land and Property Gazetteer Management function is also integrated with the Environmental Health and Licensing systems, and underpins the address database of the Council's Customer Relationship Management (CRM) and Electoral Registration systems.

1.4.   Currently around 70% of local authorities use the current supplier's Planning and Building Control software and more than half of all local authorities use the other modules that are available in the system. This high user base is due to the systems flexibility, ease of use and high quality. The system continues to be developed by the supplier and its integration facilities provide a number of benefits which are not readily matched by its competition. The software has the capability of being extended into other areas, such as Waste Management, and can be integrated with many other specialist vendor systems.

1.5.   The software is supplied under a rental agreement whereby the Council pays an annual fee to ensure continued usage. The cost for the maintenance of the software for the 2014/15 financial year is £53,912.

1.6.   Negotiations with the supplier have identified the potential to purchase the system outright and exit the current licencing agreement. This has the advantage of a significantly decreased yearly maintenance costs but attracts a one off purchase cost.

2. **Issues**

2.1.   Historically the current rental agreement was entered into because at the time this method attracted the lowest purchase cost. However, the Council pays a higher annual maintenance cost each year. As a result the system now costs the Council considerably more than it would do if the software was owned by the Council. Should

the Council continue with its current arrangement, over the next four and a half years the costs will be £256K calculated on an estimated average of 2.5% annual inflation increase. When considering these costs, officers need to ensure compliance with current public procurement thresholds (£172,514).

2.2. In order to conduct a traditional procurement exercise a full technical and functional specification (including integration) would be required for each of the existing modules. ICT estimate that this would take in excess of 1200 resource hours to complete the specification and the preparation will also require considerable input and resource from the departments directly affected. It is also highly likely that departments will require external support to assist in compiling these specifications.

2.3. To implement any replacement system would also require considerable resource from all areas of the Council resulting in large scale disruption of services.

2.4. Any traditional procurement is unlikely to result in a change of supplier due to the following factors:

- The requirements specification would be based upon the functions of the current modules in use as user satisfaction across all modules is high. It would therefore be highly likely that the existing supplier would receive full marks upon evaluation as their system has been used as the base reference.
- A new supplier would have to include additional costs for migrating existing data, templates and reports, software installation, staff training, and integration with other Council systems which would add significant costs to their tender submission. Given the complexity and number of current integrations it is unlikely that a comparative long term deal would be achievable.

3. Options Considered

3.1. Continue the Current Arrangements.

3.1.1 This option would see the Council continue to license the software under the existing rental agreement. This would cost the authority approximately £54,000 per year and would attract yearly annual inflation increases.

3.2. Conduct a traditional re-procurement exercise.

3.2.1 A traditional re-procurement would require the production of a full system specification with contributions from most areas of the Council followed by evaluation from an open market tendering process. This would be based on the functionality and integration provided by the current supplier.

3.2.2 The current supplier remains the dominant company within the local government market for these software applications. As such, conducting a traditional procurement requires considerable resources and is unlikely to result in a change of supplier thereby negating the economic benefits in doing so.

3.2.3 Research conducted by officers shows that a similar Building and Development Control solution alone would cost approximately £27,000 per year for a comparable 30 user base. This does not include the costs of migrating data. Evidence obtained from another local authority, who recently changed their Development Control system alone indicated they incurred up-front costs of £65,000 to migrate a single service. Their replacement software did not actually perform all of the functions they required and resulted in significant disruption.

3.3 Direct Negotiations with the current supplier.

3.3.1   In the current financial climate it is good business sense to investigate whether negotiation with current suppliers can achieve either service improvements and/or cost savings linked to the Council's proprietary software systems, with a view to minimising the cost of change and demonstrating value for money. Given the number of systems and services underpinned by the current software, together with the complexity and interdependencies, officers have entered into negotiations with the current supplier with a view to delivering these outcomes.

3.3.2   Significant cost savings have been obtained from the supplier through negotiation.

4   **Proposal**

4.1.   It is proposed that a new contract be awarded to the Council's existing provider as:

- This would eliminate the need for the significant internal resource, disruption and cost of change that would result from moving these proprietary departmental and public systems together with their interdependencies to one or more other providers.

- As part of the ICT Consolidation programme, officers have critically examined the potential for other suppliers to provide a similar system with the current functionality and deep integrations of the current system, and have also engaged with other local authorities that have adopted alternative systems following traditional procurement methods. The findings show that both cost and resource implications should not be underestimated due to implementation, staff training, and the complexities of ensuring that the interfaces between those systems detailed in section 1.2 continue to support a seamless transition for these major services.

- ICT estimates that at least 40 days of supplier consultancy would be required at an approximate cost of £1,000/day alongside the full time attention of at least three ICT officers and two project managers to co-ordinate the activities of all stakeholders should a replacement system be sourced. ICT also anticipate an overall implementation plan of 18 months, with a further 6-12 months of identifying any operational problems or omissions and resolving issues.

- To move to an alternative system would result in major retraining for staff in all areas; in particular the Development Control, Building Control, Land Charges, Assets, Facilities Management and Landscape departments. This is estimated to take at least 5 days for each general operative role and upwards of 10-15 days per person for each administrative user. Consideration would also need to be given to the potential impact on continued public participation in planning matters resulting from unfamiliar/new interactive web pages.

- It is unlikely that the savings produced through this negotiation could be achieved through a tender process as all other suppliers would have to submit additional costs for implementation, migration of existing data (some held for up to 6 years , depending on retention policies, and data previous to those years being available through archive processes), complex integrations, consultancy and training.

5. Financial and Resource Implications

5.1   Negotiations have been undertaken and concluded by officers with the current supplier resulting in significant savings if the Council were to enter into a new contract.

5.2   For reasons of commercial sensitivity, details of the negotiations are provided in a confidential appendix to this report.

6.   Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

6.1.   The outcome supports becoming a cooperative council delivering high quality community driven services, through ensuring the council continues to obtain best value in its software purchases that support the business objectives of the Council.

7.   Legal and Statutory Implications

7.1.   The total contract value will be below the OJEU limits (£172,514) and whilst considerations has been given to the risk of challenge for a longer contract, this is less likely where OJEU limits are not exceeded

7.2.   In exceptional circumstances compliance with specific paragraphs of Standing Orders may be waived. The exceptional circumstances are covered by Section 2 (b).

8.   Major Risks

8.1.   There is the potential for an alternative supplier to challenge the negotiation and award process. For the reasons cited above it is considered that the proposed course of action is fully reasoned and justified. A full risk log is available on request.

9.   List of Appendices

Appendix A: Financial Implications. (Confidential Item - Included in the closed part of the agenda).