

Business Case: 05/07/2016 LRA – Libraries Management System Software contract Renewal

Project Name:	Libraries Management System (Spydus) Contract Renewal	Project Lead:	James Pearson	Project Manager:	Jennifer Cox
Programme Name:		Programme Lead:		Programme Manager:	

Introduction

A library management system is a fundamental component of the modern library service which covers all the core functions necessary to run the service- issue and discharge items, the library catalogue and all the information on our members. This business case outlines the preferred option as LRA approaches the end of the current contract.

The current contract for the Libraries Management System software (Spydus) was procured as part of an innovative SELMS (South Eastern Library Management System) consortium (a consortium of 11 library authorities working in collaboration) using the Local Authority Software Applications (LASA) Framework which is due to expire on 31st March 2017.

A new accessible contract which has been procured through SELMS and which is open to all SELMS members to sign up to is due to commence on 1st April 2017. The contract will run for five years with an option to extend for a further two years until 31st March 2024. This will result in a saving to KCC of £333,788 in the first 5 years and a potential further saving in the last two years.

While the cost of the core product is £104,000, amounting to £520,000 over 5 years, with the additional non-core items that Kent requires the total contract value is £898,054.

Background

- In 2009 the Libraries & Archives (L&A – now LRA) service procured contracts for the provision of a new Library Management System (LMS), Wide Area Networks (“WAN”) and hardware contracts which allowed the service to deliver improved value for money by achieving revenue savings of £1.3million per annum.
- The LMS was procured in collaboration with the SELMS consortium. This collaboration enabled KCC to achieve savings in procurement time and costs using an existing legal Framework Agreement. The contract offered added benefits to KCC relating to shared working and improved customer services, which allows customers direct access to all participating authorities’ stock holding and ability to borrow and return items across authority boundaries.
- The LMS supported the modernisation of the library service and stimulated progress of KCC’s ‘Towards 2010’ objective, acting as a focal point for KCC library services and widened access to resources and services, through improved Information Communication Technology (ICT).
- Using this improved technology as an operational base, we have also introduced a combination of staff and public self-service kiosk issue of library books and other items, in 43 service points which has contributed a further £1 million savings to KCC and enabled a number of customer benefits, efficiencies and savings.
- In 2014 the option to extend the contract to 31st March 2016 was enacted. A further one year extension of the contract was agreed to make it coterminous with those of the other SELMS partners to facilitate the collaborative procurement of an LMS by the SELMS consortium when the contract expired. The contract is now due to expire on 31st March 2017.

Options considered and proposed way forward

Since 2016 LRA has become an internally commissioned service delivering to a service specification which focusses on KCC’s strategic outcomes and includes the fulfilment of KCC’s statutory obligations to deliver a “comprehensive and efficient library service” to the people of Kent.

A modern library service delivered through 99 service points across the county is at the core of this service specification and a library management system is fundamental to its operation, also underpinning considerable channel shift – e.g.

97% of book renewals are now done through self-service – and high levels of customer satisfaction with the service – currently 94% for the library service. In addition, with the current drive for digital services through the Agilisys contract the LMS will be of increasing importance in managing customer contact.

The following options were considered:

1. Do nothing

The current SELMS contract will end on 31st March 2017. The library management system is business critical and fundamental to the operation of a modern library service. It is the vital organisational tool that controls all aspects of the business, including borrower records, loan transactions; manage stock, fines and other charges. If there is no management system in place, then the library service will be unable to manage its core business processes, self-service would no longer be viable, and its relationship with its customers impossible to manage efficiently and effectively. There is also the option to continue to use the system without a contract in place but this could bind us into costs and terms and conditions which could be unfavourable to KCC. For all these practical reasons this option was ruled out.

2. Open competition

This option would have required LRA to work with KCC ICT and Procurement colleagues to begin a full tender process independent of the SELMS consortium. This would incur significant costs for KCC in terms of resources - procurement staff to run a tender, training staff on new system and loss of expertise in current system. This would also mean that KCC would have less financial leverage to be gained than by procuring as part of the SELMS consortium and may well receive a less favourable outcome. Withdrawing from SELMS and potentially contracting with a different supplier would impact on customers' ability to access the full range of catalogue items of the SELMS partners as is currently the case. It could also increase the costs of the new contract for the remaining SELMS partner which is likely to have a negative reputational impact on KCC.

The following option is proposed for final approval;

3. Sign agreed contract with the existing supplier procured through the LASA framework

Following market engagement the SELMS consortium members agreed to procure a contract with the incumbent supplier offered through a framework agreement. The contract was negotiated by SELMS but as SELMS is not a legal entity each partner is required to follow their own process of due diligence in order to issue a direct award to the contractor. LRA has been working with Procurement to progress this satisfactorily.

It is recognised that there are potential disadvantages of retaining an incumbent supplier – we are potentially a captive market to the supplier, we may not achieve the benefits of full competition on price, and there may be less incentive for innovation. However, in this case these disadvantages are outweighed by the advantages to the business and to customers on cost and convenience, and have been mitigated by the process which the SELMS consortium has undergone to procure this contract which is outlined below.

Once the decision was made to procure a new system Kent worked in tandem with its SELMS Consortium partners to agree our requirements for the new system and to ensure that we were future proofed in terms of future technology before proceeding through an appropriate procurement route. SELMS placed a PIN in September 2015 to invite suppliers to present their products at a series of supplier engagement days in October 2015. Seven suppliers responded, and the feedback from SELMS partners was presented to the SELMS Steering Board on 1st December 2015, along with a procurement options paper.

On consideration of the feedback the SELMS Consortium agreed that none of the other suppliers could meet their requirements to the same extent as the incumbent. Having then considered the procurement options, the Steering Board decided to proceed with a direct award using the CCS framework, LASA RM1059 (Lot4). Since then, negotiations have been proceeding on the contract, including an agreed contract length of 5+2 years.

The benefits of this approach and the resulting contract for Kent County Council are:

- Significant savings on the yearly cost of the contact – amounting to £66,758 a year over the first 5 years of the contract and then potentially a further £120K in the final two years.
- By a direct award to the incumbent supplier avoidance of the upfront purchase costs associated with changing supplier which would include project planning, procurement, system downtime and migration, integration with associated 3rd party suppliers and staff training across all service points.

- Using a shared procurement route, Kent County Council will also save officer time in procurement, ICT and legal which would otherwise been required over a 6-9 month period for single authority procurement at an estimated cost of £8-10k
- Benefits of a shared system access for customers to over 6m items across the SELMS consortium and shared development.

This option (Option 3) is LRA's preferred option as it not only provides us with continuity of service, avoiding the costs associated with tendering for and implementing of a new system, but also brings the benefits associated with shared working. These include the development of the system and sharing of resources across the Consortium which directly benefits Kent customers.

The new contract has been procured lawfully through a framework agreement following market engagement and testing against the agreed requirements of the members of the SELMS consortium and with considerable savings on procurement and implementation costs, along with average annual savings of over £60,000 during the life of the contract, it represents good value for money to KCC and taxpayers.

Our memorandum of understanding with SELMS partners commits us "*To consult with and where appropriate carry out a joint tendering procedure with other Partners for library goods and services.*" (Revised MoA – 2013) If we were to choose Option 3 we would also reduce the risk of reputational damage if KCC were to withdraw from the consortium, not least as a result of the additional costs of the new contract to the remaining consortium members.

Strategic Case – Why are we doing this and what do we want to achieve?

- The SELMS contract offers opportunities for shared working to deliver improved customer services allowing customers direct access to all participating authorities' stock holding and ability to borrow and return items across authority boundaries.
- It continues to add functionality for staff and customers, as well as supporting the modernisation of the library service, allowing us to focus on improving lives by ensuring every pound spent in Kent is delivering better outcomes for Kent's residents, communities and businesses, providing cost-effective delivery of services to the residents of Kent.
- Using this improved technology as a base, we can continue to introduce further technological developments to both accommodate changing business demands within significant budget constraints.

Economic Case – Does this provide value for money?

- The new contract proposal is likely to achieve minimum savings of £60,000 per year over and above the current contract.
- Continuity of service means there are no associated implementation or training costs involved.
- By using the shared procurement route, Kent will save officer time of procurement / IT / legal which would otherwise have been required over a 6-9 month period for single authority procurement. (estimated as £8-10k)

Financial Case - – Is it affordable and do we have the resources we need?

- Software, support maintenance and hosting charges arrive at a single annual charge for each SELMS partner. The budget is already allocated and established within the yearly revenue budget build.
- Using the costs that have been identified from the CCS Framework the indicative pricing for the annual software and support is expected to continue at a similar figure.

Commercial Case –Are there any procurement implications?

- During the first 12 months of the contract KCC will engage with SELMS partners to develop a future procurement approach to ensure that on-going market investigation and preparation is initiated. A target for contract management in the first 12 months is to address the issues of:
 - Performance risk for individual members

- Contractual issues relating to 'Termination for Convenience'
- Data integration.
- Agreement severability.

Management Case – How we will manage the change?

- The stakeholders are each of the SELMS member authorities; Buckinghamshire, Brighton & Hove, Hertfordshire, Kent, London Borough of Camden, London Borough of Richmond, Medway, Milton Keynes, Royal Borough of Windsor & Maidenhead, Sough, West Berkshire
- Performance and success are measured through service level agreement and monitored through the SELMS Steering Board.
- Due to the nature of a collaborative contract that involves a shared impact there is the potential to put the supplier in a position where they could use peer pressure to make the response to unacceptable performance more lenient. This will be mitigated through effective use of the SELMS consortium to:
 - ensure communication is maintained,
 - performance manage as a consortium
 - use the group size to press for change and improvement,
 - highlight reputation of Civica as a public sector supplier, and ensure that the perception by Civica of the SELMS Group is one of 'Core' business

Financials	17/18	18/19	19/20	20/21	21/22	TOTAL
Savings Gross						
Costs	179,611	179,611	179,611	179,611	179,611	898,054
Savings Net (a-b)	66,758	66,758	66,758	66,758	66,758	333,788

Plan/ Timescales / Milestones		Proposed Start Date:			1 st April 2017		Proposed End Date:		2022 +2 (2024)	
	Jul 16	Aug 16	Sept 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	April 17
Milestone	Agree in principle new consortium offer				Business Case/ Procurement Plan to SCB	Engage with SELMS partners and supplier	Initiate implementation plan			Implement new contract