

Cabinet	 TOWER HAMLETS
28 th September 2022	
Report of Kevin Bartle, Interim Corporate Director of Resources	Classification: Partially Restricted (Appendices)
IT Contract Procurement Approval	

Lead Member	Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	Adrian Gorst, Director of IT
Wards affected	All wards
Key Decision?	Yes
Reason for Key Decision	Financial threshold
Forward Plan Notice Published	28 June 2022
Strategic Plan Priority / Outcome	<p>Priority 3 - A dynamic, outcomes-based council using digital innovation and partnership working to respond to the changing needs of our borough.</p> <p>People say we continuously seek innovation and strive for excellence to embed a culture of sustainable improvement.</p>

Executive Summary

This report recommends entry into renewed contract terms with existing suppliers to ensure business continuity in respect of support and maintenance for four business critical business applications expiring in 2023 and 2024 with total proposed contract costs above £1 million each.

Without new agreements or an alternative implemented, the Council will be exposed to multiple system failures, with no software updates, fixes, or enhancements being available to mitigate against these. Once the proposed renewals are in place, Senior Leadership is advised to make strategic decisions regarding the long term future of these systems/contracts – and those extending beyond this period.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Approve the proposed procurement of renewed support and maintenance, either directly from the existing supplier or direct award to the existing supplier via a framework, of four critical business applications with total contract costs exceeding £1 million to provide continuity pending strategic decision making on the future of these solutions. These are identified and listed in Appendix 1. They will support a maximum term and value shown in Appendix 1.
2. Authorise the Corporate Director of Resources to award the renewal contracts referred above for terms and values not exceeding the maximum terms and values shown in Restricted . Restricted Appendix 1 also shows the current support and maintenance costs and the estimated maximum contract value for the proposed contract duration including extensions.

1 REASONS FOR THE DECISIONS

- 1.1 This section outlines the imperatives for pursuing the recommended routes.
- 1.2 **Insourcing** – LBTH separated from Agilisys in 2021 at the end of a nine-year partnership. The management of contracts and interdependency of contracts between projects and service needs is now fully insourced and developing strategic intent to balance value for money with the cost and risk of change. The contracts appearing here are those for which renewals are required to allow time for strategic leadership to make decisions on the long term future of these applications.
- 1.3 **Funding** – Funding for the contract renewals in the scope of this paper has been approved by the Corporate Director of Resources, as part of the IT revenue budget forward plan, including the indexation and growth referred to in Appendix 1.
- 1.4 **Four application contracts, each with a value totalling over £1 million** – Mosaic is recommended for continuation to ensure the Council gets a return on recent investment to enhance this application and the related children's services. Agresso, AIMS (P360), and Open Revenues are recommended for direct renewal with the existing suppliers for a term commensurate with the time required for key stakeholders to formulate a strategic, funded plan for the change or upgrade of these solutions. The Council is actively pursuing a review of these systems to establish the best route forward for this; these renewals will ensure the Council can continue to deliver its financial obligations for the medium term.

2 ALTERNATIVE OPTIONS

- 2.1 **“Do nothing”** - not recommended. If the contracts for these applications are allowed to expire, the Council would be unable to deliver its services to Tower Hamlets citizens and those who access services in the borough. The applications in scope are all used to manage critical business process workflows and data. Without continuity for Mosaic (Social Care), Agresso (Finance), Open-Revenues (Revenues) and others, the Council would not be able to fulfil its core statutory responsibilities.
- 2.2 **Tender through market competition** - not an immediately feasible option for all the contracts due to the resourcing implications of managing the running of multiple procurements and the corporate and technical risk inherent in implementing multiple new applications at once. The intention is to bring any newly tendered applications to market in a funded, planned and well managed way, at a time which represents Best Value to the Council in all respects, including cost of change and leadership agreement.

3 DETAILS OF THE REPORT

- 3.1 Appendix 1 (“Restricted”) shows the current annual cost of each application/solution. It also shows the *maximum* proposed length of the contracts (with break points specified in the comments area), and the estimated contract spend for the duration of the proposed contracts, taking into account anticipated indexation and growth.
- 3.2 The section is restricted due to the commercial sensitivity of the information, so as not to compromise our engagement with the proposed vendors. It is conceivable that the Council may end up agreeing final contract values and terms with a particular vendor. Release of the information shown at Appendix 1 in advance of the relevant discussions would prejudice the Council’s interests in such discussions
- 3.3 The proposal is to renew the support and maintenance terms with the vendors directly or to perform a direct award via a framework as advised by procurement.
- 3.4 Without maintenance contracts in place, ensuring the delivery of technical software updates and security fixes, the Council will be exposed to potential security threats and data breaches. The application vendors hold intellectual property rights (IPR), and they are the proprietary software provider. Therefore, the vendors have exclusive rights to provide application support and maintenance. This means there can be no competitive process for application support and maintenance of these applications to allow for software updates and security fixes.
- 3.5 In addition to the above, without the required support and maintenance for these applications and solutions, the Council will not receive functional or technical software updates and enhancements that would enable vital services like Children’s and Revenue and Benefits services to adapt to changes in legislation or capitalise global enhancements for the applications.
- 3.6 Whilst public sector regulations require competition, the Council must also deliver value for money. Tendering new support and maintenance agreements is costly due to the time and likely disruption inherent in changing applications with complex

databases and multiple integration points to critical council systems, processes, and services. There is also a requirement for appropriate ramp-up time for colleagues adopting and becoming effective in using new tools and processes to ensure success.

- 3.7 The Council, therefore, needs to bring new suppliers and services into operation in an organised and resource-efficient way. Changing a major system like Agresso, and/or Open Revenues would incur a project cost to the Council of several million pounds.

4 EQUALITIES IMPLICATIONS

- 4.1 No equality implications are arising from this proposal as it is related to spending on IT applications and solutions support and maintenance.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 The inability to use the IT applications referred to here would put at risk a range of services, including social care, planning, revenues, and environmental provisions. In this event, the Council would fail to deliver its statutory duties and could put the most vulnerable in the community at risk. There could also be a risk to regulatory functions, resulting in penalties and reputational damage for the Council.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report seeks the decision to approve the proposed procurement route for the renewal of various IT contracts.
- 6.2 Appendix 1 details the contracts to be procured with total costs of circa £2.5M in 2022-23 and will be funded from the IT revenue budget for software contracts of £7.8M. Contracts procured will need to be contained within this revenue funding.
- 6.3 Appendix 1 also details estimates for inflation and growth for each contract. Indexation increases will be met as far as possible through the non-pay inflation growth provided within the Council's Medium-Term Financial Strategy (MTFS) and any growth to the contracts required by the services will need to be funded from within service budgets.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The Council is required to obtain statutory Best Value in respect of the way it delivers its legal functions. The Council usually demonstrates compliance with this duty by subjecting its purchases to competition. However, the applications are complex in nature and are interwoven with many other council systems and therefore need to be subject to a substantial and systematic review process in order to prepare for an appropriate exercise. It is unlikely that this would be completed in the short to medium term and the extensions will allow the Council to undertake this task.

- 7.2 Also, following a new procurement for each of these applications the implementation of a new solution will also take a significant period of time. Therefore, the extension periods requested are justified on a pragmatic and proportionate approach. The extensions will also allow stability for the Council's key processes as the ICT architecture is transformed in other areas.
- 7.3 The Council has recently been required to invest in these systems in order to ensure integrity of the systems and in the case of Mosaic statutory compliance with its care duties. Considerable extension periods are appropriate to derive a proper level of value from those investments.
- 7.4 The Council will monitor the contracts relating to each of the applications and ensure that performance is delivered against the standards set out in the contract. This will assist the Council to demonstrate compliance with the Best Value duty.
- 7.5 The extensions will require negotiation and part of this report relates to the agreement of funds which will be spent on the subsequent contracts. If the information were released into the public domain, it may significantly impact on the Council's bargaining position and therefore impact on the Council's ability to obtain Best Value in respect of each contract. This would not be in the public interest. Such information constitutes Exempt information Therefore the Public Interest in knowing the information is outweighed by the public interest in keeping the information out of the public domain and therefore the exemption from release should be maintained. This information is shown in the restricted part of the report.

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix 1 – List of contracts – Exempt (Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None

Officer contact details for documents:

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