

TITLE	NEC Systems - Contract Renewal
FOR CONSIDERATION BY	The Executive on Thursday, 26 January 2023
WARD	(All Wards);
LEAD OFFICER	Chief Executive - Susan Parsonage
LEAD MEMBER	Executive Member for Climate Emergency and Resident Services - Sarah Kerr

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Executive approval is required as the total value of the contract exceeds 500k for the five year duration.

The report sets out the proposal for Executive consideration to procure all systems currently provided by NEC to the Council for five year period under as single contract. The Systems include:

- NEC iWorld – used by Council Tax and Revenue and Benefits.
- NEC Housing – used by the Housing service
- NEX Information at Work - Electronic Document Management System used corporately across the Council.

Entering into a five year contract protects the Council from year on year inflation increase, and enables the Council to know the total cost of ownership for the next five years.

Based on an assumed inflation of 12.5% for the next five years this procurement will avoid the need to pay a total of £262k in inflation costs. The total contract value over five years is £1,231,415.

The continuity of the systems listed above provides savings as a result of no cost of change. Procurement of these systems will therefore not incur any implementation costs. It is estimated this results in cost avoidance of £1.49m.

RECOMMENDATION

The Executive is asked to approve the compliant direct award via the **Crown Commercial Services: Data and Applications RM3821** framework on a five year basis to NEC for the provision of the following systems

- NEC iWORLD
- NEC Housing
- NEC Information at work.

EXECUTIVE SUMMARY

Summary of the of the objectives of this decision:

- NEC systems provided to the Council current consist of 20 individual contracts for each of the component part, in order to drive efficiency these contracts would be amalgamated into a single contract for all NEC systems.
- To ensure the Council is on a termed contract and so the Council can control inflation in accordance with any fluctuations with RPi and CPi.
- Ensuring total costs of systems are in line with total cost of budgets as set out within MTFP.
- NEC will apply a 10% uplift on existing costs in year 1 of the contract, followed by a fixed price in years 2-5. Based on an assumed inflation of 12.5% for the next 5 years this procurement will avoid the need to pay a total of £262k in inflation costs.
- Software provided by the supplier is critical to the delivery of front line statutory services. This therefore assists in the Council's Corporate Delivery Plan and Community Vision in the following areas:
 - o Equality Impact
 - o Social Value
 - o Sustainability
 - o Medium Term Financial Plan (MTFP)
- Procurement will not result in the implementation of any new technology or systems, therefore will not incur any cost of change. It is estimated this results in cost avoidance of £1.49m
- Subject to Executive approval contract will be awarded in February 2023 via a direct award through **Crown Commercial Services: Data and Applications RM3821**
- Total contract value over 5 years = £1,231,415

BACKGROUND

Procurement business approved by the Strategic Procurement Board on 13th October 2022, demonstrating options considered to reach recommendation for Executive approval.

BUSINESS CASE

Appraisal of current options:

Option 1 | Remain with current provider – NEC

- This would have the least business impact due to removing the need to migrate to new systems
- Fixed indexation rate in a time of uncertainty that would not be guaranteed in competition in current climate
- Amalgamation of all contracts into one neat and tidy contract
- Stakeholders happy with the current provider
- ICT have approved current model to be working with long term WBC plan
- Total contract value over 5 years = £1,231,415

Cost Benefit Analysis

For the Organisation Foundation Programme exercise, the below figures are the ones presented by NEC for the support and maintenance element of the systems. The below table also evidences the savings of the negotiated fixed term of RPI versus a year on year uplift based on 5 separate examples

Yr	Proposed Charges	Annual Indexation to apply from Year 2 of contract			
	10% uplift then no indexation	7%	12.50%	15%	20%
1	£246,283	£232,846	£232,846	£232,846	£232,846
2	£246,283	£249,145	£261,952	£267,773	£279,415
3	£246,283	£266,585	£294,696	£307,939	£335,298
4	£246,283	£285,246	£331,533	£354,130	£402,358
5	£246,283	£305,214	£372,974	£407,249	£482,829
Total	£1,231,415	£1,339,037	£1,494,000	£1,569,937	£1,732,747
	Savings over 5 years	£107,622	£262,585	£338,522	£501,332

Option 2 | Run a tender process for all systems

- Resource heavy at a time when all technical resource and service subject matter experts have a full remit of work and tasks already
- Costs could come in higher due to RPI uncertainty
- Slow and laborious deployment time for new services that would have to be implemented
- Risk that stakeholders will have reduced services at a time when public need them most. Services would also have to resource large implementation projects for systems procured.

Total Cost of changing a system after a full procurement commencing in 2023:

Assumptions

- Full Procurement will take 12 months
- A new supplier other than the incumbent will be awarded a contract
- Commercial offering will be equivalent to NECs best offer and frozen for duration
- Implementation will take 24 months from 2024-2025
- New Provider Contract length to be 5 years 2024-2028
- Salaries of external resources to be frozen during work carried out

Year	2023	2024	2025	2026	2027	2028
Resources for Implementation of New Provision						
Project Manager - Grade 9	£0	£44,000	£44,000	£0	£0	£0
Technical Lead - Grade 10	£0	£50,000	£50,000	£0	£0	£0
Data Migration Staff - Grade 8	£0	£38,000	£38,000	£0	£0	£0
SMEs from Service Area	£0	£0	£0	£0	£0	£0
Subtotal	£0	£132,000	£132,000	£0	£0	£0
Resources for Procurement						
Project Manager - Grade 9	£44,000	£0	£0	£0	£0	£0
Technical Lead - Grade 10	£50,000	£0	£0	£0	£0	£0
SMEs from Service Area	£0	£0	£0	£0	£0	£0
Sub Total	£94,000	£0	£0	£0	£0	£0
Exit Costs						
Ongoing Provision - NEC	£246,283	£246,283	£246,283	£0	£0	£0
New Supplier After Competition Costs						
Implementation	£0	£200,000	£200,000	£0	£0	£0
Ongoing Costs for Provision	£0	£246,846	£246,846	£246,846	£246,846	£246,846
Sub Total	£0	£446,846	£446,846	£246,846	£246,846	£246,846
Total	£340,283	£825,129	£825,129	£246,846	£246,846	£246,846
Grand Total						£2,731,079

Cost Avoidance = £1,499,664

As part of putting this paper together consideration has been given to the longevity of each of the systems that would fall under a single NEC contract. The systems provided are complex and vital for front line delivery. Based on the project costs in 2014/15 when NEC Housing was implemented the implementation project costs were circa 600k and took 24 months. Therefore, it is considered that the cost to change systems would be cost prohibitive when extrapolated across the Northgate products.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	246,283	Yes – already a funded provision	Revenue

Next Financial Year (Year 2)	246,283	Yes – already a funded provision	Revenue
Following Financial Year (Year 3)	246,283	Yes – already a funded provision	Revenue

Entering into a 5 year contract protects the Council from year on year inflation increase, and enables the Council to know the total cost of ownership for the next 5 years.

Based on an assumed inflation of 12.5% for the next 5 years this procurement **will avoid the need to pay a total of £262k** in inflation costs. Providing the Council with greater certainty of the cost of ownership of these key systems for the next 5 years.

Other Financial Information
Remaining on a rolling contract means the Council will not have certainty of cost of ownership and will be subject to year on year inflation increases.

Stakeholder Considerations and Consultation
No formal consultations.
Appraisal with service areas completed to ensure systems are required for the next 5 year period.

Public Sector Equality Duty
Public sector equality duty completed.

Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>
Provision of Digital services that act as an enabler for reducing travel to offices.

Reasons for considering the report in Part 2
N/A

List of Background Papers
N/A

Contact Glynn Davies	Service Digital and Design
Telephone 0118 2378052	Email glynn.davies@wokingham.gov.uk

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