

Wards Affected:*'All Wards'***ITEM 10****PROCUREMENT AND COMMISSIONING****7 MARCH 2017****AWARD OF CONTRACT - TO SUPPLY LIBRARY MANAGEMENT SYSTEM (REF: CU2485)**

Responsible Cabinet Member: Councillor Gifford (Cabinet member for Place)

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Executive Summary:

This report is seeking approval to award the contract to the supplier shortlisted by the SELMS (South East Library Management System) consortium. The contract will enable the delivery of the Library Management System. The contract term:

- Is for 5 years expiring on 31 March 2022 with a term value being £132,500
- And can be extended until 31 March 2024

1. Recommendation(s)

- 1.1 That award of the contract to the tenderer shortlisted by the SELMS consortium for the Library Management System be approved. The contract be awarded as direct call off under the Crown Commercial Service RM1059 Local Authority Software Applications Lot 4 Libraries Systems Framework.
- 1.2 That any recommendation to extend this contract be brought back to this Committee for a decision in sufficient time, to allow a new procurement exercise to take place if the Committee consider it more appropriate.

2. Background

- 2.1 The Public Libraries and Museums Act 1964 makes it a legal requirement that Milton Keynes Council provides a public library service to its citizens.
- 2.2 The Council's Library Management System (LMS) maintains all customer and library stock records and underpins all library business activity. The system also provides an extensive range of statistical information and financial transaction reports which are used by the Library Service team for processing, planning and monitoring performance. The online services we provide rely on using LMS data to authorise their use.
- 2.3 Milton Keynes Library Service is a partner of the South East Library Management System (SELMS). SELMS is a consortium of local authorities

which have joined together to offer pooled resources for library users to use their services across authority boundaries. The consortium is not a legal entity and each partner has an individual contract with the LMS provider. This is the largest library consortium in Europe. It enables local authorities to share expert resources and to help deliver system efficiencies. Milton Keynes was a founder partner. At the time it was deemed to be innovative and was demonstrably saving money for the six original partners. There are now 11 partners:

- (a) Brighton and Hove City Council
- (b) Buckinghamshire County Council
- (c) Hertfordshire County Council
- (d) Kent County Council
- (e) London Borough of Camden
- (f) Medway Council
- (g) Milton Keynes Council
- (h) Borough of Richmond Upon Thames
- (i) Royal Borough of Windsor and Maidenhead – Lead procurement authority
- (j) Slough District Council
- (k) West Berkshire Council

2.4 Benefits of the Consortium:

- (a) As resources are squeezed, the financial and staffing expertise benefits from the SELMS consortium become ever more important.
- (b) Resources are shared; users may borrow and return items from any member library with their home library card. This gives our users access to 6 million items. Milton Keynes Libraries currently has 256,000 items itself.
- (c) Economies of scale bring savings in both time and costs in relation to tender/procurement processes. As a single authority we would have nothing like the buying/bargaining power of a consortium.
- (d) As the largest consortium in the UK the ability to push for service improvements and upgrades.
- (e) Staff can utilise the expertise across all partners. As a smaller authority Milton Keynes has access to specialist IT and library expertise from some of the largest in the country.
- (f) Regular meetings with all partners and managers from the current LMS provider.

- (g) Although there are common contract terms the system has highly configurable local protocols so that our priorities can be reflected in the LMS.
- (h) SELMS negotiates other beneficial contracts including a contract to provide our stock catalogue records. This has given us a significant saving. The consortium manager is constantly looking for cost savings to benefit all members.

3. Procurement

- 3.1 The current LMS contract was procured and started in May 2008. The procurement process was through the SELMS consortium. The provider who was successful (see Exempt Paper) in the tender process was a newcomer to the UK market. As such we received very favourable terms (£18,000pa) which have not risen since then. It is recognised that this represented extremely favourable terms which could probably not be sustained in 2017.
- 3.2 The procurement process has been led by the Royal Borough of Windsor and Maidenhead on behalf of SELMS. However each partner is to enter into a contract with the successful supplier. The legal section highlights some risks, however the implications of not awarding to the supplier on the stated terms is that the council would have to run its own procurement and award a separate contract outside the SELMS partnership. The considerable benefits of remaining within SELMS have already been stated.
- 3.3 Although the proposed new cost of £26,500 is higher this still represents value for money. If Milton Keynes were to go to the market as a single authority it is highly unlikely the costs could be as low as this as we would avoid upfront purchase costs associated with changing supplier. It is not technically feasible to purchase a system outright and run it ourselves. Library suppliers are continually updating what are very sophisticated systems designed by library IT specialists.
- 3.4 Consultation

The draft specification has been developed in partnership with: members of the SELMS Development Group, the SELMS Steering Board, the Consortium Manager and a specialist consultant.
- 3.5 Market Engagement and Lessons Learnt
 - (a) Before the procurement process there was a period of market engagement to understand the current appetite for this type of contract. 7 suppliers replied to the PIN notice and provided a live demonstration of their product to representatives from all SELMS partners. It asked them to demonstrate how their product delivers, or is planned to deliver collaborative functionality across multiple partners. .
 - (b) The previous contract for the provision of the Library Management System expires on 6 May 2017 and was worth £18,000 per annum. The performance of the old contract delivered the full range of core components needed to run a public library service. This includes

cataloguing, budget management, circulation of items and fully automated ordering.

- (c) Lessons learnt from the old contract have been built into the new Contract. Core items have been added to cover changing library circumstances. An improved offer for the public catalogue provides our users with greater access to their own book loan history, suggested titles they might like and book jacket images. A more robust monitoring schedule will be introduced. An online payments facility will also be added.

3.6 Contract Management

- (a) The Senior Client Officer for this contract is the Libraries Manager. The contract adheres to the Framework terms and conditions
- (b) The key governance processes include:
 - (i) Review frequency
 - Monthly meetings between the SELMS Development Group and the LMS provider.
 - Quarterly meetings between the SELMS Steering Board and the LMS provider
 - Quarterly account meetings between representatives of Milton Keynes Libraries and the LMS provider
 - (ii) Performance measurement (including key contract performance measures) A Service Level Agreement is in place. This defines acceptable performance specifications and the agreed responses to each level when not achieved. These are reviewed at the monthly SELMS Development Group with representatives from the LMS provider.
 - (iii) Escalation process - Service Level Agreement, last updated February 2016
 - (iv) Break clause: The contract as amended by the contractor does not allow for a break clause but may be terminated when the supplier commits a material default or gets into serious financial difficulties but does not allow for terminating for convenience.

4. **Alternative Options**

4.1 The following options appraisal has been conducted:

- (a) Do Nothing. The outcome of this would be that no library service could be provided to the citizens of Milton Keynes.
- (b) Deliver the requirement internally (in-source). Technically this is not achievable. A huge amount of specialist library and IT knowledge would be needed.

- (c) Open (single stage) tender/Restricted (Two stage) tender. Does not deliver better value than calling off from a framework. Being a member of a consortium brings greater savings from economics of scale than as a single authority.
- (d) External framework (Recommended). The product shortlisted by the Consortium is available as a direct call off from Crown Commercial Service RM1059 Local Authority Software Applications Lot 4 Libraries Systems
- (e) Extend current contract? No option to do this as no further extensions are available in the current contract

5. Implications

5.1 Policy

The LMS is the basis for providing a robust library service which supports the Core Library Offer As such the procurement seeks to implement / apply the Council's policy for the Sharing Libraries Plan, adopted by Cabinet in January 2016. The award of this contract will progress the following priorities/outcomes within the Corporate Plan 2012/16: "That our residents have access to all the services they need and have the support to access opportunities and enjoy a healthy and good quality of life".

The contract seeks to implement the core library offer adopted by the Sharing Libraries Plan in January 2016 in respect of this service.

5.2 Resources and Risk

- (a) The costs of the contract will be met from the Library Service budget (Revenue). The costs identified can be found from budget adjustments agreed by the Library Budget manager. The costs may, in fact decrease if any new partners join the SELMS consortium and overall costs are shared between more partners.
- (b) The Risk Assessment for this contract identifies 1. Risk that the LMS provider should fail and go into administration. 2. Risk that the SELMS consortium should fail.3.Risk of legal challenge to the contract award process.4.Risk that change in council policy would not allow for termination of the contract as there is no provision for termination for convenience.
- (c) The key OPPORTUNITY secured by this contract is the continuation of a library service to the citizens of Milton Keynes. Continued consortium working ensures an improved library offer for customers and the potential for future cost efficiencies. As a member of SELMS we have access to specialised resources and staff. There is a significant staff saving to us as a result. It is assessed that the delivery of this contract provides a HIGH likelihood that a HIGH impact will secure the opportunity defined.

(e) The key THREATS for this contract going forward have been assessed as:

Risk	Likelihood / Impact	Mitigation	Likelihood/Impact after mitigation
That the LMS provider should cease trading	L/H	Information held in Escrow. Regular meetings between SELMS and LMS provider. New system would need to be purchased.	L/M
That the SELMS consortium should break	L/M	SELMS is currently expanding, new authorities are joining. SELMS is not a legal entity and MK could continue to work with the supplier on a stand-alone basis.	L/L
That the contract award would be challenged by other framework suppliers	L/M	Unsuccessful companies have been informed and no challenge has yet resulted. Any challenge would be managed by all 11 SELMS members.	L/L
Any change in council policy resulting in a trust or similar could ask for exiting from SELMS. There is no provision for termination for convenience.	L/L	There is no appetite or will to become a trust in the next 5 years. This has been discussed in the past but rejected as there would be no provable benefits. New supplier would need to be sought.	L/L

The governance measures set out in 3.3 above provide a basis to conclude that these threats, properly managed represent a LOW likelihood or a MEDIUM impact.

Resources and Risk Implications

N	Capital	Y	Revenue	N	Accommodation
Y	IT	Y	Medium Term Plan	N	Asset Management

5.3 Legal

The Council is required to provide library services to people living in Milton Keynes under the Public Libraries and Museums Act 1964.

The report seeks to award the contract under a crown commercial services framework RM1059.

The value of the contract including possible extension exceeds the threshold for advertising to the European Market.

The Public Contract Regulations 2015 permit an award of contract under a framework which has been set up following a compliant procurement process. Framework RM1059 has been procured properly by the Crown Commercial Services and is open for use to public bodies including the Council. However, in order to remain compliant with procurement law, the Council needs to adhere to the terms of the framework as set up otherwise the ensuing contract could be deemed a direct award for the purposes of procurement law and could be subject of a challenge from the market.

The proposed contract with the supplier sought to be awarded the contract in accordance with this report has been amended substantially. Although these amendments have been accepted by the SELMS partnership, some of the amendments are beyond those permitted by the said framework thereby carrying a procurement risk for the Council and the other authorities. Additionally, some of the amendments such as limitation of liability place the Council in less favourable commercial position. Approval to award if granted should therefore factor the above. It should be noted that although the procurement under the framework is stated as having been carried out by RWBM on behalf of the partners, each authority has to enter into individual contracts with the supplier and therefore any risks would be with individual authorities.

5.4 Other Implications

Y	Equalities/Diversity	N	Sustainability	N	Human Rights
Y	E-Government	Y	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Policy				

Exempt Papers: Evaluation Criteria (Annex)