

Report for Cabinet Member Signing – Cllr Carlin

Item number: n/a

**Title:** Liquidlogic Contract Variation

**Report authorised by:** Beverley Tarka Director of Adults Health and Communities

**Lead Officer:** Sarah Barter Head of Business Enablement

**Ward affected:** All

**Report for key/non key decision:** N/A

## **1. Describe the issue under consideration**

- 1.1 This report gives an update on the evolution to date of the contract value of the Council's existing contract with Liquidlogic Ltd (Liquidlogic) for provision of an Integrated Social Care Case Management and Financial System and seeks approval for a variation of the contract value going forward.
- 1.2 The variation to the contract value will allow the Council to continue to enhance the system to meet business requirements identified by Children's, Adults and Finance Services in the future.
- 1.3 The changes to the contract value that have proven necessary can be grouped into two categories. These are:
  - A. Changes had to be made during implementation of the Liquidlogic system which incurred additional spend that has pushed up the contract value. These changes have been dealt with through the change control process.
  - B. Further changes will be required going forward to ensure the Council has a mechanism to continue to enhance the system and meet future business requirements identified by Children's, Adults and Finance Services subject to Business Case Approval and secured funding. Items in this category could include, but are not limited to:
    - Annual provision of service pack (support) days from Liquidlogic to facilitate system upgrades over the weekend without need for down time during the working week (currently the contract does not have this option)
    - Actions resulting from Audits
    - Core Portals (Parent Portal / Establishment Portal)
    - Children's Centres (Group Work).

## **2. Cabinet Member Introduction**

Not required.

### **3. Recommendations**

- 3.1 That the Cabinet Member for Finance and Corporate services note that since the award by Cabinet in July 2021 of the existing contract for provision of an Integrated Social Care Case Management and Financial System for a contract value of £3,270,081 over the 15-year contract period, further spend on additional functionality has had to be incurred during the implementation of the system which has been approved through the change control process and has increased the contract value by £448,043 to £3,718,124.
- 3.2 That the Cabinet Member for Health Social Care and Wellbeing approve, under Contract Standing Order 10.02.1.b), a variation in the contract value by a further £1,303,997 to £5,022,121. to ensure the Council can continue to enhance the system to meet business requirements identified by Children's, Adults and Finance Services in the future and can also cover RPI-indexed increases in certain contract prices provided for by the contract.

### **4. Reasons for decision**

- 4.1 To take stock of the increase in the original contract value due to spend incurred during implementation
- 4.2 To provide the flexibility to enhance and meet required future functionality to support the needs of Adults, Children's & Finance services
- 4.2 To ensure we are operating a sustainable support model including the capability to rollout system changes over weekends without requiring down time of the system during business hours

### **5. Alternative options considered**

#### **5.1. Do nothing**

- 5.1.1 This would mean the Council would be unable to identify and implement improvements to the Liquidlogic system for the remainder of the contract period.

#### **5.2 Retender**

- 5.2.1 This would mean breaking the contract that is currently in place with Liquidlogic.
- 5.2.2 Retendering would mean losing the progress achieved through build and implementation of the Liquidlogic system to reach the current state. It would also suspend any development of the system during the tender process as we could not know who would win the tender.

### **6. Background Information**

#### **6.1 Context**

- 6.1.1 In July 2021, Cabinet approved the award of a contract to Liquidlogic to implement a new case management system for Adults and Children's Services. The contract value approved by Cabinet was £3,270,081 which covered the initial implementation and year 1 system fee (£955,881) plus 14 years' ongoing annual fees (£2,314,200).
- 6.1.2 In October 2021, following negotiations with Liquidlogic and as an outcome of Project Board discussions in the build up to final contract signature the total contract value increased by £239,850. This was due to the addition of functionality highlighted as being required by the Project Board and the associated annual costs, namely:
- Inclusion of modules during implementation for Health Information Exchange / Cerner Interface
  - Provision of Data Warehouse & Business Objects Universe
  - Education Health Care Plan and Early Help Module migration cycles during implementation (previously out of scope)
  - Additional hosting and maintenance.
- 6.1.3 During implementation between Oct '21 and Oct '23, additional costs were incurred as documented in the change control register and decision log. These costs total £208,193, made up of £132,221 during implementation and £75,972 payable from revenue funding spread over the remaining contract period. Specifically they cover:
- Inclusion of Accounts Payable & Accounts Receivable Interface
  - Legitimate relationships
  - Family working
  - VPN set up
  - Controcc finance training
  - Occupational therapy and legal workspace
  - Address loading
  - Additional data migration cycle after one failure during implementation.
- 6.1.4 The total cost of additional and projected spend over the 15-year contract duration for contract changes agreed to date is £448,043. The Cabinet Member is asked to note the costs incurred to date for additional functional modules and implementation costs which were not approved as part of the Cabinet process in July 2021 but that have been agreed by the project board either prior to contract signature or as part of the Change Control Process during project delivery as referred to in sections 6.1.2 and 6.1.3 respectively.
- 6.1.5 Approval is also sought for a further increase of £1,303,997 in the total contract value to cover future expenditure of £1,186,997 on enhancements and new modules that support the business requirements and also to cover RPI-indexed increases in certain contract prices over the duration of the contract period as provided for by the contract. The RPI-indexed increases up to the end of the 15-year contract period are estimated to amount to £117,000.
- 6.1.6 Excluding the latter provision for RPI-based increases, the remaining contract value increases not included in the original contract value at contract award total £1,635,040,

which is 50% of the contract value approved at contract award. This total comprises both the costs of £448,043 flowing from the implementation of additional functionality to date as well as the provision of £1,186,997 for future spend on further enhancements going forward.

6.1.7 The contract has been adhered to by Liquidlogic without issue to date.

## **7. Contribution to Corporate Delivery Plan**

7.1 Theme 3: Children and young people

Theme 4: Adults, health & welfare

## **8. Carbon and Climate Change**

8.1 The recommendations in this report currently have no bearing on carbon and climate considerations for the Council (either negative or positive) as this is about effective system utilisation and adaptability. It is possible that future legislation changes in these areas have implications that impact system requirements and fields (e.g. capturing relevant information). The recommendation in section 3.2 of the report facilitate adaptability by Children's and Adults Services in requesting minor changes to the system.

## **9.0 Statutory Officers comments (Chief Finance Officer, Procurement, Assistant Director of Corporate Governance, Equalities).**

### **9.1 Finance -**

This report proposes to recognise increases of £1,752,040 to the original contract value at contract award. This comprises (i) £448,043 for additional capital and ongoing revenue expenditure incurred as a result of additional functionality agreed post Cabinet award and during implementation; and (ii) £1,186,997 to provide the flexibility to enhance and meet required future functionality over the remainder of the contract period and (iii) a provision of £117,000 for contractual annual inflation (RPI) increases.

The £448,043 stated in (i) is made up of £197,915 of one-off capital expenditure which has been funded from contingency within the MTFS Capital Programme. The functionality changes agreed have also resulted in additional revenue expenditure totalling £250,128 over the contract period (£20,844 pa) for support and maintenance which will be funded from Children's and Adults revenue budgets.

The £1,186,997 stated in (ii) above is currently unfunded and will require capital and revenue funding streams to be identified within Service budgets or through growth bids submitted through the MTFS process prior to committing the expenditure.

The £117,000 provision for contract inflation will be funded from the corporate non-pay inflation provision built into the MTFS as part of the annual budget setting process.

### **9.2 Strategic Procurement**

Strategic Procurement have been consulted in the preparation of this report

CSO 10.02.1b) permits Cabinet to authorise the variation of a contract where the value is £500,000 or more and is compliant with the provisions of Regulation 72 of Public contract Regulation 2015.

Regulation 72 (1)(b) permits variation where modification is for additional services where a change of contractor cannot be made for technical reasons and a change would cause substantial duplication of costs

Strategic Procurement support the recommendations in section 3 of this report

### **9.3 Legal / Assistant Director for Legal and Governance (Monitoring Officer) comments:**

The Assistant Director for Legal and Governance has been consulted in the preparation of this report which is seeking approval for a contract variation to increase the currently approved contract value.

Under Contract Standing Order (CSO) 10.02.1(b) a contract variation valued at £500K or more may be approved by Cabinet provided that the Public Contracts Regulations 2015 (PCR), particularly PCR reg. 72, as well as the Council's Finance Regulations are complied with and subject to satisfactory contract outcomes. Under CSO 16.02, the decision to approve the variation sought may be made by a Cabinet Member allocated by the Leader to do so instead of by Cabinet.

PCR reg. 72(1) expressly permits contract modifications once certain conditions are met. Under PCR reg. 72(1)(a) a variation is permissible if it is provided for in clear, precise and unequivocal price revision clauses in the contract to be varied as tendered. As section 6.1.5 of the report indicates, the contract value variation proposed in this report is attributable in part, in relation to an estimated price uplift of about £117,000, to an uplift in the contractor's pricing required under contractual inflation-linked indexation provisions. This is a permissible modification under Regulation 72(1)(a).

Under Regulation 72(1)(b) a contract variation is also permissible where additional services by the original supplier not included in the initial procurement have become necessary and a change of supplier cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement and would cause significant inconvenience or substantial duplication of costs for the procuring authority. Any price increase involved also must not exceed 50% of the original contract value. The latter conditions are met as the proposed increase in contract value, other than due to inflation-indexation as explained above, does not exceed 50% of the original contract value as confirmed by section 6.16 of the report and is for Liquidlogic to implement enhancements which are required by the user services and which Liquidlogic alone can do to its proprietary software system.

In addition, section 6.1.7 of the report confirms that Liquidlogic has to date complied with the contract. There is also nothing in the Finance comments in section 9.1 or elsewhere in the report to suggest any Finance Regulations issues preventing approval of the proposed variation. As a result, the proposed variation to the currently

approved contract value appears to meet the requirements of CSO 10.02.1(b) permitting the variation.

The Assistant Director for Legal and Governance is not aware of any legal reasons preventing the Cabinet Member from approving the recommendation in section 3 of the report.

## **9.4 Equality**

The Council has a Public Sector Equality Duty under the Equality Act 2010 to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

The proposals within this report take account of these needs and the associated statutory duties and good practice guidelines. There are no known potential negative equality implications arising from this decision.

## **10.0 Use of Appendices**

None

## **11.0 Background Papers**

None.