

**Report of the Director of Environment and Housing**

**Report to Executive Board**

**Date: 10<sup>th</sup> February 2016**

**Subject: Design and cost report for proposed Housing ICT Solutions**

**Capital scheme number: 32033/DD6/000**

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

**Project Description and Strategic Context**

1. The project aims to support continued improvement within Leeds City Council's Housing Service, continued improvement in the council's information technology systems and infrastructure, and aims to reduce the costs and resources necessary to deliver and maintain ICT systems that support the delivery of a Housing Service for the in Leeds City Council (LCC).
2. The current housing systems are used to manage a capital building programme of £90m, a repairs programme of £43m and to collect rents amounting to £218m per annum.
3. The software systems currently in use are dated and will not be supported by current providers for much longer. This would expose the council's housing service to significant risk and therefore requires change. The option of doing nothing is not a viable option.
4. By tendering for a new suite of systems managed by a single supplier it will provide the Council with the opportunity to test the market and deliver cashable and non-cashable benefits to tenants and the council.

5. An options appraisal has been undertaken and the most prudent route for the council is to go out to tender which will ensure that these benefits will be delivered sooner and the revenue savings that can be generated can be re-invested into housing priorities.

### **Recommendations**

6. Approve (as a Key Decision) the undertaking of a procurement exercise for housing ICT solutions noting that the Director of Environments and Housing will be accountable for the approval of the specification and tender documentation, the selection of the successful supplier and contract award (each as decisions consequential to that Key Decision) .
7. Approve the proposed interim arrangements including the waiver of Contracts Procedure Rules 8.1 and 8.2 (in accordance with those rules) to ensure continuity of provision and a smooth transition to the new arrangements.
8. To inject £5.5m into the HRA capital programme and give authority to spend this £5.5m.

## **1 Purpose of this report**

- 1.1 This report seeks approval to invest in replacement housing ICT systems, including implementing interim arrangements, at a capital cost of £5.5m.
- 1.2 The project addresses the risks arising from the current outdated systems and will secure a range of cashable and non-cashable benefits.

## **2 Background information**

- 2.1 The council's housing service continues to seek opportunities to improve customer access and to support self-service. It is implementing a more customer focused approach and aims to improve and better align its people and property records.
- 2.2 Staff currently use a number of separate ICT systems to manage the tenancies and the stock. The existing ICT systems contracts are due for renewal or will expire during 2016. In addition, the software packages are in many instances now based on old technologies and are outdated.
- 2.3 The council's digital policies confirm that the best approach is to procure and implement industry standard packages that are configurable and flexible and which are able to support changes in local policies and legislation. Our ICT governance principles include that we will not customise or bespoke software.
- 2.4 The project will support the efficient and effective operation of the council's housing services strategic objectives and priorities.
- 2.5 The council's housing service provides housing and property management across over 110,000 housing assets, including:
  - 57,000 residential properties
  - 22,000 formerly owned housing properties
  - 6,500 garages
  - 6,600 communal areas
  - and other associated assets, such as gardens and green spaces.
- 2.6 The project is being delivered in accordance with the council's best practice project management and procurement methodologies. A small multi-disciplinary project team has been established, drawing expertise from housing, customer access, projects & procurement, and ICT services, and with oversight from a Project Board.
- 2.7 A full business case has been developed to inform this report. Copies of this are available from the Directorate upon request.
- 2.8 The project is referenced within the Capital Programme report that is also on the agenda for this meeting of the Executive Board.

### **3 Main issues**

#### **Value for Money**

- 3.1 The results of the financial options appraisal of costs and benefits are shown in more detail below.
- 3.2 For both of the options available the initial capital outlay of re-providing the current systems will deliver revenue savings that ultimately will be in excess of the costs associated with re-provision.
- 3.3 The preferred option of tendering for a new suite of housing ICT solutions is shown to deliver best value for money.
- 3.4 The majority of the benefits that have been identified are classed as non-cashable service improvement benefits, however, these may also realise some financial benefits in the future. The majority of the costs are internal staffing costs.

#### **Project Delivery Arrangements**

- 3.5 The project is being delivered in accordance with the council's best practice project management and procurement methodologies. A small multi-disciplinary project team has been established, drawing expertise from housing, customer access, projects & procurement, and ICT services, with oversight from a Project Board.
- 3.6 A project programme has been developed. It anticipates that the tender process would start in February 2016 and lead to contract award in the autumn. There would then be a two year implementation period starting in January 2017 and the contract end date would be December 2023, with the option for extensions.

#### **Option appraisal**

- 3.7 Work has been undertaken to map current provision and future requirements, and two options for the project have been considered:
  - Tender for a new suite of housing ICT solutions;
  - Extend the current contracts with an upgrade at the end of their life-cycle.

#### **Option 1 - Tender for a New Suite of Housing Solutions**

- 3.8 This option will involve issuing a formal EU tender to procure a new single contract that will replace the current housing ICT system contracts. The contract would encompass all aspects of the council's housing functions and be capable of meeting current requirements and requirements anticipated over the next 7 – 10 years.
- 3.9 The anticipated procurement costs and maintenance and support costs are based upon a soft market testing exercise undertaken in autumn 2015. The costs used in the business case reflect the most expensive of the proposed solutions and therefore reflect the most prudent approach.

3.10 This option would provide a fit-for-purpose and up-to-date ICT solution, managed by a single supplier. There are a range of cashable and non-cashable benefits to this option, which are delivered earlier than in option 2, and as a result provide the best value for money for the council. The costs are summarised in the table below, and the cashable benefits are estimated at £559,000 per annum (see paragraph 7.4).

<b>Option 1 - Tender for a New Suite of Housing Solutions</b>			
<b>Costs</b>	<b>Internal Costs</b>	<b>External Costs</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Capital - Supplier Costs		£1,400.0	£1,400.0
Capital - Fees	£4,165.1		£4,165.1
<b>Capital - Subtotal</b>			<b>£5,565.1</b>
Revenue - Support & Maintenance		£2,192.0	£2,192.0
Revenue - Infrastructure		£1,880.0	£1,880.0
<b>Revenue - Subtotal</b>			<b>£4,072.0</b>
<b>Totals</b>	<b>£4,165.1</b>	<b>£5,472.0</b>	<b>£9,637.1</b>

3.11 Over the period 2015/16 to 2019/20 the costs associated with procuring and maintaining a new system are £9.64m.

**Option 2 - Extend the current contracts, and upgrade existing solutions at the end of their life**

3.12 This option would involve renegotiating with the current range of suppliers to continue the support and maintenance of the existing suite of systems. In addition there would be a requirement to upgrade those systems before 2021 as the current modules will not be supported beyond that date.

3.13 There are a range of cashable and non-cashable benefits arising from this option that are similar to those for option 1, although they are realised at a later date. The total costs are slightly higher with this option, particularly the external cost.

3.14 With this option there is a significant risk of procurement challenge as, given their length and value, contracts negotiated would be considered as new contracts and their value would exceed the threshold requiring competition under the Public Contracts Regulations 2015

3.15 With this option there are risks that the council would not be able to clearly demonstrate that it is achieving best value, nor that it is using the most appropriate technologies to support service delivery and service improvement.

<b>Option 2 - Extend the current contracts, and upgrade existing solutions at the end of their life.</b>			
<b>Costs</b>	<b>Internal Costs £000's</b>	<b>External Costs £000's</b>	<b>Total £000's</b>
Capital - Supplier Costs		£1,400.0	£1,400.0
Capital - Fees	£3,868.9		£3,868.9
<b>Capital - Subtotal</b>			<b>£5,268.9</b>
Revenue - Support & Maintenance		£2,006.0	£2,006.0
Revenue - Infrastructure		£2,820.0	£2,820.0
<b>Revenue - Subtotal</b>			<b>£4,826.0</b>
<b>Totals</b>	<b>£3,868.9</b>	<b>£6,226.0</b>	<b>£10,094.9</b>

3.16 Over the period 2015/16 to 2019/20 the costs associated with procuring and maintaining the upgraded system are £10.09m.

3.17 By choosing option 1 (tendering for a new suite of housing solutions) the cashable benefits will be realised sooner. It will also ensure that the non-cashable benefits will also be realised sooner, these benefits include;

- A better customer experience
- Links to the work being undertaken with regard to hand held technology
- Reductions systems updating meaning resources can be directed into areas to improve performance and deliver efficiencies
- Other improvements with regard to managing rent arrears and collection, voids and repairs.

#### **4 Design proposals and full scheme description**

4.1 It is proposed that the council procures a single lead supplier who will be responsible for the provision of the full range of housing ICT solutions and services, managing any sub-contractors, and working in partnership with the council's contract manager to ensure best fit with the ambitions of the council.

4.2 The council currently has seven suppliers to provide its housing ICT solutions. The aspiration of the councils is to appoint a single strategic lead which will result in a reduction in contract overheads, increase efficiency through integration and manage performance in terms of reduced support of applications.

4.3 The supplier will be contracted to identify and provide the most appropriate solution(s) to meet the council's stated business needs and fit with the council's developing digital landscape.

4.4 The supplier will provide:

- software solutions that integrate with other council systems, and in some cases integration with third party systems;
- software maintenance and support services;

- help desk service;
- product roadmaps for solutions;
- professional services for implementation, including management and technical delivery;
- professional services for process and change management, including training solutions;
- contract and account management; and
- comprehensive reporting solution.

4.5 The proposed system will have the ability to hold multiple tenant records and details of different types of assets this will provide future flexibility in terms of property management.

4.6 It is proposed that the procurement undertaken is carried out using the Competitive Procedure with Negotiation under the Public Contracts Regulations, as this enables negotiation of solutions and innovation in circumstances where the complexity and technical requirements of an authority cannot be defined comprehensively at the outset. This process will enable better value for money whilst requiring limited additional resources during the procurement process.

## 5 Programme

5.1 The following table sets out the key dates for this procurement project:

Task/Milestone	Date
Approval sought from Executive Board	February 2016
Tender documents issued	February 2016
Pre-qualification submission	March 2016
Initial tender submission	June 2016
Evaluation	July 2016
Tender negotiations	August 2016
Final evaluation	September 2016
Approvals	October 2016
Contract award and mobilisation period	October 2016 to December 2016
Contract start date	January 2017
Implementation and business change period	January 2017 to December 2018

Contract end date (excluding three 1-year extensions)	December 2023
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## 6 Interim arrangements

- 6.1 Most of the contracts for the supply of the existing systems expire in 2016 and do not have a provision to extend. It is necessary, therefore, to establish new support contracts until the new housing management system can be put in place.
- 6.2 There is a considerable risk to the Council of severe disruption to current services and consequently of significant reputational damage if the current housing systems are not supported through procurement and transition to a new contract.
- 6.3 The current contracts are held with the following providers at a total contract value of £368,960 per annum:
- Arena Partnership Ltd – tenant consultation system
  - Civica UK Ltd – housing asset management system
  - Delcam Ltd – contractor management system
  - HUBSolutions Ltd - Anti-Social Behaviour, Estate Management and Tenancy Support system
  - M3 Housing – housing repairs management system
  - Orchard Information Systems – core housing management system
  - Propower Systems Ltd – management information system
- 6.4 It is proposed to continue the current supplier arrangements by negotiation of new contracts for a period of two years from April 2016. The contract costs will be met, as they are currently, on an on-going basis from revenue budgets. It should be noted that the annual cost of one of the contracts is above the threshold within the Public Contracts Regulations requiring competition. It is proposed to effect new contract arrangements on the ground that the current systems are proprietary in nature meaning the maintenance and services can only be carried out by the current contractors during the proposed procurement process.
- 6.5 As the various housing management systems sit within a complex technical environment, it would not be possible to seek short term replacement point solutions as these could not operate on a standalone basis and it would require considerable technical work and cost to develop interfaces with a core system which is to be replaced anyway.
- 6.6 For reasons of efficiency, it is also proposed that the terms and conditions of the existing contracts should be carried forward to the new contracts.
- 6.7 There is a risk that the phased implementation of a new system due to its complexity may go beyond the planned two year period. Sufficient flexibility to extend support of the current systems beyond the phased transition period should be built into the renewed support contracts.



6.8 There may be a risk of challenge from other potential providers who have not been given an opportunity to tender for this work to cover this interim period. However, given the complex technical environment in which the software applications have to work and the fact that the Council is undertaking a procurement exercise to replace the current systems, it is considered that the risk is low.

## **7 Corporate considerations**

### **7.1 Consultation and engagement**

7.1.1 The Executive Member for Communities has been consulted on the contents of this report.

7.1.2 Staff and managers from housing, customer access, ICT, and the PPPU have been involved in a number of workshops to map the current provision and future requirements.

7.1.3 A comprehensive communications and engagement plan covering the procurement and implementation phases is being developed and will include engagement with elected members, staff, trade unions and tenants and their representatives.

### **7.2 Equality and diversity / cohesion and integration**

7.2.1 An equality, diversity, cohesion and integration screening has been undertaken (please see attached appendix). This screening document has been developed in consultation with the Equality Communities Team. At this stage a more detailed impact assessment is not required for the approvals requested. We will continue to consider equality and diversity further along in the procurement process, as the capabilities of the new solution become more well-known.

7.2.2 The contract and specification include specific requirements relating to equality, corporate social responsibility and environmental sustainability.

### **7.3 Council policies and the best council plan**

7.3.1 This project underpins the key housing priorities and supports and complies with the council's policies and ambitions relating to digital technology and an efficient and enterprising organisation.

### **7.4 Resources and value for money**

7.4.1 A cost benefits analysis has been undertaken.

7.4.2 For both of the options available the initial capital outlay of re-providing the current systems will deliver revenue savings that ultimately will be in excess of the costs associated with re-provision.

7.4.3 The recommended option 1 results in the council spending £0.5m less over the next five years than option 2.

7.4.4 The full scheme estimate for option 1 is set out in the table below. These capital costs will be funded through the HRA and comprise fees and equipment totalling £5.5m over 4 years. The majority of the costs are internal staffing costs.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	1400.0			1000.0	400.0		
DESIGN FEES (6)	4165.1		206.0	653.8	1964.3	1341.1	
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>5565.1</b>	<b>0.0</b>	<b>206.0</b>	<b>1653.8</b>	<b>2364.3</b>	<b>1341.1</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
LCC Supported Borrowing	0.0						
Revenue Contribution	0.0						
Capital Receipt	0.0						
Insurance Receipt	0.0						
Lottery	0.0						
Gifts / Bequests / Trusts	0.0						
European Grant	0.0						
Health Authority	0.0						
School Fundraising	0.0						
Private Sector	0.0						
Section 106 / 278	0.0						
Government Grant	0.0						
SCE ( C )	0.0						
SCE ( R )	0.0						
Departmental USB	0.0						
Corporate USB	0.0						
HRA	5565.1		206.0	1653.8	2364.3	1341.1	
<b>Total Funding</b>	<b>5565.1</b>	<b>0.0</b>	<b>206.0</b>	<b>1653.8</b>	<b>2364.3</b>	<b>1341.1</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Parent scheme number : 32033/DD6/000

Title : Housing ICT Solutions

### Revenue effects

7.4.5 In the period 2016/17 to 2018/19 there are no new revenue costs. The existing revenue costs will continue to be met through the HRA. In the period 2019/20 onwards it is anticipated that there will be reduced revenue costs of approximately £559,000 per annum, and this resource can be directed towards strategic housing priorities.

REVENUE EFFECTS	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	£000's	£000'S	£000'S	£000'S	£000'S	£000'S
Support & Maintenance	364.0	364.0	639.0	275.0	275.0	275.0
Infrastructure	470.0	470.0	470.0	470.0		
<b>Total</b>	<b>834.0</b>	<b>834.0</b>	<b>1109.0</b>	<b>745.0</b>	<b>275.0</b>	<b>275.0</b>

## 7.5 Legal implications, access to information and call-in

7.5.1 The procurement project has been developed in compliance with Contract Procurement Rules (CPR) and the council's approved project management methodology.

7.5.2 The proposed interim arrangements set out in section 6 of this report require Contract Procedure Rules (CPR) 8.1 and 8.2 to be waived. This is considered appropriate for the reasons set out in section 6, and CPR 1.3 and CPR 27 allows for the council to do this.

7.5.3 Tender documentation and the business case are open documents and contain no sensitive information.

7.5.4 This report is a Key Decision and is eligible for call-in.

## 7.6 Risk management

7.6.1 The project is being delivered using the council's approved PM Lite methodology and includes appropriate governance procedures.

7.6.2 There is a comprehensive risk register that is regularly reviewed by the Project Team and Project Board.

7.6.3 The tender and contract documents seek to address risk issues relating to performance and contract management, data security, business continuity and disaster recovery.

7.6.4 The project team have considered lessons learned from previous procurement projects of a similar nature and built these into the delivery proposals.

## 8 Conclusions

8.1 The project aims to support continued improvement within the housing service and in the council's information technology systems.

8.2 The council's current housing ICT solutions are reaching ending the end of their life and require replacement.

8.3 There are benefits to be gained from a single supplier managing an integrated modern solution to drive efficiency, improve accessibility and customer satisfaction.

8.4 Whichever option the council chooses there will be a financial cost above and beyond the cashable benefits that have been quantified.

8.5 The recommended option 1 will cost £0.5m less over the next five years than option 2.

8.6 Past experience and soft market testing shows that the estimated costs for the delivery of this project are £5.5m, and that the project timetable for procurement and implementation are considered to be deliverable.

## **9 Recommendations**

9.1 Approve (as a Key Decision) the undertaking of a procurement exercise for housing ICT solutions noting that the Director of Environments and Housing will be accountable for the approval of the specification and tender documentation and the selection of the successful supplier and contract award (each as a consequential decision of that Key Decision).

9.2 Approve the proposed interim arrangements including the waiver of Contracts Procedure Rules 8.1 and 8.2 (in accordance with those rules) to ensure continuity of provision and a smooth transition to the new arrangements.

9.3 To inject £5.5m into the HRA capital programme and give authority to spend this £5.5m.

## **10 Background documents<sup>1</sup>**

10.1 None.

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<sup>1</sup> The background documents listed in this section are available for download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.