

Report of Head of Financial Management - Environment & Housing**Report to Director of Environment and Housing****Date: 03rd January 2016****Subject: Housing ICT Solutions**

Are specific electoral wards affected?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):	
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Appendices A, B and C contain exempt information under the Access to Information Rule 10.4 (3). It contains commercially sensitive information including details of tenderers' submissions and the Council's evaluation of such submissions, where the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	

Summary of main issues

1. The purpose of this report is to seek approval to award a contract to Civica UK Limited (contract reference: DN198087) for the supply of a new suite of ICT systems, managed by a single supplier, for housing services.
2. The Tendered Sum is £2,316,664 which includes initial implementation costs and ongoing maintenance cover over the initial period of 7 years. For the avoidance of doubt, this total excludes third party costs and Leeds City Council Costs of Ownership (hardware and associated support) which were included in the price submission to ensure evaluation was carried out on a like for like basis.
3. The decision to award the contract is a significant operational decision, as a consequence of the key decision taken by Executive Board on 10th February 2016, to authorise the undertaking of a procurement exercise for a new suite of Housing ICT Solutions.
4. It was noted within the Design Cost Report (DCR) to Executive Board that the Director of Environment and Housing will be accountable for the approval of the contract award (a decision consequential to that Key Decision).
5. The procurement was carried as a formal EU tender using the Competitive Procedure with Negotiation under Regulation 29 of the Public Contracts Regulations 2015.

6. The procurement exercise took place via a three stage tendering process; a pre-qualification questionnaire (PQQ), initial invitation to tender stage (followed by negotiation meetings), and final tender.
7. The evaluation team has concluded the evaluation of the final tender submissions and now recommends to progress to the award of contract.
8. The prices submitted were lower than pre-tender estimates. The solution will secure a reduction in support and maintenance costs in the region of £200,000 per annum in the operational phase (circa £1.4million cumulatively over seven years). This is an increase on the £89,000 saving per annum assumed within the business case.

Recommendations

The Director of Environment and Housing is recommended to:

9. To award a contract to Civica UK Limited (contract reference: DN198087) for the supply of a new suite of housing ICT solutions, that will replace the current housing ICT system contracts, for the period 30th January 2017 to 29th January 2024 (7 years), with the option to extend by a further 3 periods of 12 months (3 years). The Tendered Sum is £2,316,664, which includes initial implementation costs and ongoing maintenance cover over the initial period of 7 years. For the avoidance of doubt, this total excludes third party costs and Leeds City Council Costs of Ownership (hardware and associated support) which were included in the price submission to ensure evaluation was carried out on a like for like basis.
10. To note that, subject to approval to award the planned contract start date will be 30th January 2017.
11. That the Housing ICT Solutions Project Board will be responsible for overseeing the implementation of this project, chaired by Richard Ellis, Head of Environment and Housing Finance.

1. Purpose of this report

- 1.1 This report provides the Director of Environment and Housing with the evaluation outcome of the final tender stage of the Housing ICT Solutions procurement and seeks approval to award the contract to the winning bidder.

2. Background information

- 2.1 The council provides housing and property management for 80,000 properties. These include:
- domestic assets
 - commercial assets
 - non domestic assets
 - leaseholders.
- 2.2 The council currently has seven suppliers to provide its housing software systems and manage a capital building programme of £90m, a repairs programme of £43m and to collect rents amounting to £218m per annum.
- 2.3 A design and cost report approved at Executive Board on 10th February 2016 noted that the software systems currently in use are dated and will not be supported by current providers for much longer.
- 2.4 Following an options appraisal it was determined that the most prudent route for the council was to go out to tender. Tendering for a new suite of systems provides the council with the opportunity to test the market and ensure the council has a modern and fit for purpose housing management system, as well as ensuring the council is getting best value for money.
- 2.5 The preferred option of tendering for a new suite of housing ICT solutions was presented to Executive Board as a key decision on 10th February 2016. Authority to spend was approved to inject £5.5m into the HRA capital programme to deliver the Housing ICT Solutions project. This included the undertaking of a procurement exercise for a new suite of housing ICT solutions, managed by a single supplier, and putting in place interim arrangements for existing contracts about to expire, to ensure continuity of service provision during the transition.
- 2.6 The Housing ICT Solutions tender will see appointment of a single strategic lead supplier, which will result in a reduction in contract overheads, increased efficiency through integration and reduced support of multiple applications.
- 2.7 The new contract will 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.
- 2.8 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.

- 2.9 This procurement aims to deliver new contract arrangements before the interim arrangements come to an end, including making arrangements to transition from existing contracts to a preferred single contract.

3. Main issues and evaluation process

- 3.1 The Housing ICT Solutions tender supports the efficient and effective operation of the council's housing services strategic objectives and priorities.
- 3.2 Following the key decision at Executive Board on 10th February 2016 and observance of the 5 day call-in period, the tender opportunity was advertised on the Official Journal of the European Union (OJEU) on 22nd February 2016.
- 3.3 The procurement undertaken was 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.
- 3.4 The tender opportunity was advertised on YORtender, the Yorkshire & Humber region electronic tendering system, on 23rd February and a pre-qualification questionnaire (PQQ), along with draft tender documentation, was published for completion by prospective suppliers. The PQQ included 3 additional selection criteria questions, two to be evaluated and one for information only, to shortlist to a minimum of 3 and a maximum of 6 tenderers to invite to tender.
- 3.5 The council received 7 completed PQQs. The evaluation team met on 12th May 2016 to evaluate the scorable PQQ responses provided by the seven tenderers. A score from 0-10 (0 being unacceptable and 10 being outstanding) was identified on a consensus basis, in accordance with the methodology outlined within the PQQ.
- 3.6 Within the PQQ we asked that bidders existing annual turnover should be at least 2 times larger than the annual estimated contract value. This was included to evaluate bidder's ability to perform this contract, ensuring that the successful organisation has sufficient financial standing and resilience to deliver a key service to the council.
- 3.7 The methodology outlined in the PQQ identified that where a tenderer scores 4 or less for any individual sub-criterion, the council reserves the right not to consider the tenderer for shortlisting to the ITT stage.
- 3.8 Three of the submissions scored at least 13% lower than the highest scoring 4 bidders. These three submissions also secured scores of 4 or below against multiple sub-criteria. On this basis the panel determined to eliminate these three tenderers at the PQQ stage.
- 3.9 Following the pre-qualification stage, the council invited four tenderers to submit initial tender submissions, as a restricted tender, on 17th June 2016. Three tenders were received by the deadline from Northgate Public Services (UK) Ltd, Civica UK Ltd and Orchard Information Systems Ltd. One tenderer, Aareon Uk Ltd, chose to opt out of tendering.
- 3.10 The tender documentation set out the Council's minimum requirements for the tenderers to meet.
- 3.11 The evaluation criterion for this procurement exercise was 70% quality and 30% price. This was to ensure suitable consideration to the quality of the solution, in particular the importance of housing services requirements.

- 3.12 The assessment of the initial tenders included tenderer demonstration days and reference site visits. Evaluation was undertaken in accordance with the evaluation methodology. A score from 0-10 was identified on a consensus basis against each quality sub-criterion, including a note of strengths and weaknesses.
- 3.13 Following the assessment of the initial tenders, all three tenderers were provided with detailed feedback, including any outstanding matters of clarification. All three tenderers were invited to participate in the negotiation stage, which provided opportunity to discuss their feedback with the evaluation panel. The negotiation meetings took place on 15th, 20th and 22nd August 2016.
- 3.14 Following completion of the negotiation stage the tender documentation was reviewed and refined (whilst the minimum requirements remained). The call for final tender, with the revised tender documentation, was issued to all three bidders on 6th October 2016, inviting them to prepare and submit their best and final offers. Final bids were received, by the 3rd November deadline, from all three tenderers.
- 3.15 The assessment of the final tenders has been undertaken. Responses to each of the quality evaluation sub criteria were discussed and a score from 0-10 was identified on a consensus basis, in accordance with the evaluation methodology (the consensus scoring notes of the quality evaluation of the final bids is available in appendix A). Cost evaluation was undertaken in accordance with the evaluation methodology. The scores of the quality and price evaluation were combined to determine the winning bidder. Please refer to Appendix B for the commercially confidential summary scores for price, quality and the overall final ranking.
- 3.16 In accordance with the tender instructions, detailed evaluation records (agreed by consensus at the evaluation meetings and also incorporating each individual's comments from their initial review of the tenders where agreed by the team) have been recorded and retained. These records are available to Board members and are provided at appendix A of this report.
- 3.17 The submission that scored the highest score, with the quality and price scores combined is Civica UK Limited. It is the recommendation of the evaluation panel to award the contract for the supply of a new suite of housing ICT solutions (contract reference: DN198087) to the winning bidder.
- 3.18 The evaluation methodology identifies that where a tenderer scores 4 or less for any individual sub-criterion, the council reserves the right not to further consider the tender. One or more elements of each tender were scored at 4, and details of these elements are set out at appendix C. The evaluation team do not believe that any of those elements scoring 4 for Civica UK Limited justify excluding the tender from the process.
- 3.19 For the Choice Based Lettings needs Civica UK Limited proposed in their bid to use its partner Abritas Ltd to deliver this part of the contract requirements. Abritas will deliver approximately 5% of the contract value. Subsequent to tender submission and evaluation, Civica Group have acquired Abritas Ltd.
- 3.20 The prices submitted were lower than the original pre-tender estimates. The Civica price submission was 30% higher than the second ranked (lowest priced) submission, and accordingly received fewer marks as part of the price evaluation in accordance with the published methodology. It is anticipated that significant contract savings will be made against the original business assumptions. Other savings are anticipated to be made through improving processes, reducing infrastructure and a reduction in contract overheads owing to reduced maintenance and support requirement from our internal ICT resources.

- 3.21 The Evaluation Team found that the Civica proposal evidenced a clear understanding of our requirements and functionality that goes beyond an information repository, but uses this information to drive action and performance. There was evidence of an integrated solution, with key elements of functionality available out of the box. Detailed information and clear evidence was provided. The panel were satisfied that the proposal represents good value for money.
- 3.22 Separately from evaluation, it was noted that the system will deliver improvements which would future proof, provide efficiencies and savings to the service. The new system will help channel shift (allow tenants to self-serve on many core activities such as rent and repairs), facilitate remote/mobile working and be a more integrated solution (thereby minimising duplicate keying and making more information readily available).
- 3.23 The outcome of the evaluation of final tenders, including a summary of the commercially confidential scores, was reported to Project Board on the 14th December 2016. Project Board endorsed the evaluation team's recommendation to award the contract to the winning bidder, Civica UK Limited.
- 3.24 All applicants were informed of the evaluation outcome of the final tender stage on Thursday 15th December 2016, including feedback to the two unsuccessful bidders about the relative advantages and characteristics of the winning bid in order to provide them with a comparison against their own unsuccessful bid. Following this, a 10 day standstill period was observed. Orchard have replied seeking further information but have not sought to challenge the procurement.

Corporate considerations

4. Consultation and engagement

- 4.1 The Project Sponsor and Director of Environment and Housing have been kept updated during the progress of the procurement exercise.
- 4.2 The Deputy Leader and Executive Member for Communities have been consulted on the contents of this report and attended a demonstration of the winning bidder's proposed solution.
- 4.3 Staff from housing, customer access, ICT, and PPPU have been involved in a number of workshops to map the current provision and future requirements and have attended tenderer demonstration days.
- 4.4 The evaluation panel for the procurement exercise was made up of representatives from the following service areas:
- Housing – Property and Contracts
 - Housing – Housing Management
 - Housing – Information Management and Technology
 - Information Technology – Solutions Architecture
 - Citizens and Communities – Customer Access
 - Procurement – Commercial and Contract Management.
- 4.5 A communication and engagement plan has been developed to ensure all stakeholders are kept informed throughout delivery of the project.

5. Equality and diversity / cohesion and integration

- 5.1 An Equality Impact assessment screening was completed on 23rd November 2015 for the decision to procure a new single contract, that will replace all current contracts for Housing IT Systems, and move away from bespoke systems to standard ‘off the shelf’ software packages. This is available in appendix D.
- 5.2 A more detailed equality and diversity / cohesion and integration action plan was developed in January 2016, to integrate equality and diversity consideration at each stage of delivery and assess whether a more detailed impact assessment should be undertaken. This will continue to be monitored throughout the implementation stage of the project.
- 5.3 Accessibility requirements have been built in the specification to ensure that the new suite of systems provided brings about positive change in terms of technological provision, is customer friendly and accessible to all. All three submissions had positive features but failed to evidence full compliance with all elements of the specification. The evaluation panel took account of the views of consultees when scoring the bids by consensus.
- 5.4 The procurement supports the ambition of Leeds City Council to be ‘An Efficient and Enterprising Council’.

6. Resources and value for money

- 6.1 The financial benefit of the cumulative reduction in annual costs payable to a single supplier over 7 years will be in the region of £1.4million. This is in addition to a £3.29million saving arising from moving away from existing infrastructure and other savings and efficiencies identified within the business case which have not been quantified.
- 6.2 A 2 year implementation period for the roll out of new contract arrangements, including systems transition will take place.
- 6.3 The implementation of the new solution will be delivered by a project team comprised of individuals from ICT, Environment and Housing (E&H) and the Information Management and Technology team which support E&H. Project Management responsibilities will be carried out by officers from the Project Programmes and Procurement Unit.
- 6.4 As outlined in paragraphs 3.2 and 3.3, a competitive procurement process was undertaken and published on OJEU, commencing on 22nd February 2016.
- 6.5 To ensure the council can maintain an effective service from the supplier, clear and measurable performance indicators (KPI’s) and financial incentives are included in the contract terms and conditions.
- 6.6 The contract will be managed by a named individual within the Information Management and Technology team that supports Housing.
- 6.7 Failure to award the contract will result in the anticipated efficiency savings not being realised. The existing contracts will expire in 2 years’ time and the council will be left with no contract in place for the support and maintenance of the current housing systems. Furthermore, as stated with the DCR to Executive Board, the software systems currently in use are dated and may not be supported by current providers beyond 2021. This could expose the council’s housing service to significant risk and no further efficiencies will be gained. In addition a substantial amount of procurement and client resource that has been invested in this procurement at a cost, would be lost.

7. Legal implications, access to information, and call-in

- 7.1 This procurement exercise has been undertaken in compliance with Contract Procedure Rules (CPR) and the council's approved project management methodology.
- 7.2 Tender documentation and the Executive Board DCR are open documents and contain no sensitive or confidential information. The tenderers bids contain commercially confidential information.
- 7.3 The request to tender for a new suite of systems managed by a single supplier was approved as a key decision by Executive Board on 10th February and observed the 5 day call-in period. As such, this decision is a significant operational decision, as a consequence of that key decision, and is not subject to call-in.
- 7.4 The Director of Environment and Housing is accountable for the approval of the contract award (a decision consequential to that Key Decision).

8. Risk management

- 8.1 As stated above and as reported within the DCR to Executive Board, to extend the current contracts, and upgrade existing solutions at the end of their life would expose the council's housing service to significant risk, as the current modules may not be supported beyond 2021. Notwithstanding this, there would also be a risk of procurement challenge as, given their length and value, the contracts would be considered as new contracts and their value would exceed the threshold requiring competition under the Public Contracts Regulations 2015.
- 8.2 The tender and contract documents seek to address risk issues relating to performance and contract management, data security, business continuity and disaster recovery.
- 8.3 Project risks are regularly reviewed and monitored throughout delivery of the procurement stage of the project. This will continue to be regularly reviewed by the project team and project board throughout the implementation stage of the project.

9. Conclusions

- 9.1 The procurement is part of a wider project which aims to support continued improvement within the housing service and in the council's information technology systems.
- 9.2 The financial benefit of the cumulative reduction in annual costs payable to a single supplier over 7 years will be in the region £1.4million. This is in addition to a £3.29million saving arising from moving away from existing infrastructure and other savings and efficiencies identified within the business case which have not been quantified. A full cost benefit analysis was undertaken within the business case.
- 9.3 The council's current housing ICT solutions software packages are in many instances now based on old technologies and outdated.
- 9.4 Following the procurement exercise it is recommended to award the contract for the supply of a new suite of housing ICT solutions to Civica UK Limited (contract reference: DN198087).

10. Recommendations

- 10.1 To award a contract to Civica UK Limited (contract reference: DN198087) for the supply of a new suite of housing ICT solutions, that will replace the current housing ICT system contracts, for the period 30th January 2017 to 29th January 2024 (7 years), with the option to extend by a further 3 periods of 12 months (3 years). The Tendered Sum is £2,316,664, which includes initial implementation costs and ongoing maintenance cover over the initial period of 7 years. For the avoidance of doubt, this total excludes third party costs and Leeds City Council Costs of Ownership (hardware and associated support) which were included in the price submission to ensure evaluation was carried out on a like for like basis.
- 10.2 To note that, subject to approval to award, the planned contract start date will be 30th January 2017.
- 10.3 That the Housing ICT Solutions Project Board will be responsible for overseeing the implementation of this project, chaired by Richard Ellis, Head of Environment and Housing Finance.

11. Appendices

- 11.1 Confidential Appendix A – Consensus scoring records.
- 11.2 Confidential Appendix B – Tender evaluation scores.
- 11.3 Confidential Appendix C – Summary of items scoring 4
- 11.4 Appendix D - Equality Impact assessment screening.

12. Background documents¹

- 12.1 Design and Cost Report to Executive Board for a proposed Housing ICT Solutions – 10th February 2016.

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