


<p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>CABINET</b></p> <p align="center"><b>14 JANUARY 2019</b></p>		
<p><b>BUSINESS CASE &amp; PROCUREMENT STRATEGY FOR THE HOUSING MANAGEMENT SYSTEM</b></p>		
<p><b>Report of the Cabinet Member for Housing: Councillor Lisa Homan</b></p>		
<p><b>Open Report</b></p>		
<p><b>Classification: For decision</b> <b>Key Decision: Yes</b></p>		
<p><b>Consultation:</b> Growth and Place, ICT, Procurement, Legal, Finance</p>		
<p><b>Wards Affected: None</b></p>		
<p><b>Accountable Director:</b> Jo Rowlands, Strategic Director of Growth and Place</p>		
<p><b>Report Author:</b> Alistair Nimmons, Head of Systems and Programme Management, Growth and Place</p>	<p><b>Contact Details:</b> Tel: 020 8753 1924 E-mail: <a href="mailto:alistair.nimmons@lbhf.gov.uk">alistair.nimmons@lbhf.gov.uk</a></p>	

## 1. EXECUTIVE SUMMARY

- 1.1. The Cabinet on 15 January 2018 took the decision in relation to the “Integrated Management Systems Procurement Strategy and Business Case” report to carry out a regulated procurement exercise in relation to four (4) distinct but integrated lots covering software and systems for (1) a self-service portal; (2) housing management; (3) Revenues and Benefits; and (4) electronic document management (EDMS) in accordance with the Public Contracts Regulations 2015 (as amended) (the “Regulations”).
- 1.2. The original proposal was to advertise all four lots as a single procurement exercise using the Competitive Dialogue Procedure. On 30 January 2018, it was agreed to bring forward the self-service procurement due to the end of the contract for My Account (the Council’s current self-service portal) on 31 October 2018, and to align the procurement with the need to procure a self-service portal for Streetscene.

- 1.3. Whilst consideration is ongoing for the other lots, it is now proposed that Lot 2 for the Housing Management System is tendered separately, and that the procurement should start before the end of the current contract.
- 1.4. The Council's current contract for the Housing Management System provided by Northgate Public Service (UK) Ltd (iWorld), ends on 31 July 2019 and legal advice is that the Council should procure a replacement service to commence on 1<sup>st</sup> August 2019. However, due to the decision 'to take back control of our repairs' by 17 April 2019, it is proposed to start the Housing Management System procurement after the mobilisation of the new repairs service, but before the end of July to allow the Council time to focus on the mobilisation and to include the emerging requirements of the new repairs service in with the procurement.
- 1.5. There is a risk associated with not awarding a new contract by the end of July, but this is seen as low and acceptable.

## **2. RECOMMENDATIONS**

- 2.1 That Cabinet approves the divergence from the Integrated Management Systems Procurement Strategy and Business Case approved by it in January 2018 to permit the separate tendering of Lot 2, Housing Management Systems, and the Business Case and Procurement Strategy as defined in Appendix 1.
- 2.2 That Cabinet delegates to the Strategic Director of Growth and Place, in consultation with the Cabinet Member for Housing, operational decision relating to starting the procurement process, before 31 July 2019, leading to a subsequent contract award by Cabinet.

## **3. REASONS FOR RECOMMENDATIONS**

- 3.1 The Housing System needs to be re-procured in order to comply with legal and procurement requirements arising out of the end of HFBP contract. The procurement will follow the Restricted Procedure rather than Competitive Dialogue as originally envisaged, and the Evaluation Criteria have been reviewed to reflect this change in procurement route.
- 3.2 The procurement has been aligned to the setting up of the new repairs service.

## **4. PROPOSAL AND ISSUES**

As set out in the Business Case and Procurement Strategy.

## **5. OPTIONS AND ANALYSIS OF OPTIONS**

As set out in the Business Case and Procurement Strategy.

## **6. CONSULTATION**

As set out in the Business Case and Procurement Strategy.

## **7. EQUALITY IMPLICATIONS**

- 7.1. No negative equality implications have been identified within the procurement strategy proposed in Appendix 1.
- 7.2. Implications verified by: Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

## **8. LEGAL IMPLICATIONS**

- 8.1. The total value of the contract to be let is above the service value threshold specified in the Public Contracts Regulations 2015 (as amended) (the “Regulations”). The Council will publish a Contract Notice in the Official Journal of the European Union (OJEU) stating the process it will follow for the tenders. The restrictive procedure will be followed.
- 8.2. The Council’s Contract Standing Orders are being followed. The intention is to invite 5 tenderers to bid for the contract following a selection stage, subject to there being sufficient qualifying tenderers.
- 8.3. Tenders will be evaluated on the basis of the most economically advantageous tenderer to the Council. Evaluation methodology has been agreed by the project team and will be applied to all tenders received. The evaluation considers:
  - 8.3.1. quality aspects of the solutions with a total weighting of 70%.
  - 8.3.2. Price with a total weighting of 30%.
- 8.4. Key risks associated with the procurement are set out in the Business strategy and include:
  - 8.4.1. Bringing the solution into service on time. Delay payments will be attributed to any such delays.
  - 8.4.2. Downtime for the solution once up and running. Deductions/service credits will be applied in the event of downtime which is not pre-agreed.
  - 8.4.3. Security breaches and data loss – the Supplier will be a processor under the Data Protection Legislation.
- 8.5. Implications verified/completed by: Sally Stock, partner with Sharpe Pritchard Solicitors on secondment to the Council [sstock@sharpepritchard.co.uk](mailto:sstock@sharpepritchard.co.uk)

## **9. FINANCIAL IMPLICATIONS**

### **Estimated Contract Costs**

- 9.1. The estimated whole life cost of the contract is £4.730m based on a maximum contract period of 12 years<sup>1</sup>. This equates to an estimated annual cost of

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<sup>1</sup> The contract is expected to be 12 years with breaks at 7 and 10 years

£394k including licence costs, infrastructure, and servers and annual support and maintenance.

- 9.2. The estimated cost is based on the current annual cost for iWorld of £394k which is included in the total ICT SLA budget for the Housing Revenue Account of £1.787m in 2018/19 and currently no costs are specifically recharged to the General Fund although the system is used currently to manage Temporary Accommodation.
- 9.3. The current iWorld support contract (Northgate) is on an annual rollover basis at a value of £126k and is included within the existing SLA ICT recharge budget. The remaining annual costs of £268k (£394k total annual cost less £126k for annual maintenance and support contract with Northgate) are made up of the following, which will be included within the new contract:
- BT £171k as third-party services,
  - £19k for infrastructure (BT) and
  - £78k for Oracle Database support/licences.
- 9.4 The costs of the Council's in-house ICT service are not included within the above £394k ICT SLA recharge budget. Therefore, it is not anticipated that there will be any additional unbudgeted costs within the ICT service arising as a result of this procurement. The final price for the new Housing Management System will not be known until the tenders are submitted by the tenderers as part of the initial invitation to tender.

#### **Other factors that may impact the cost of this project**

- 9.5 The contract for the current Housing Management System has a licence limit of 25,000 properties. As this includes Tenanted properties, Leasehold, Temporary Accommodation, Garages and Car Spaces, Sheds and other HRA assets, the number of properties on the database is increasing, and the Council is near or at its limit. The Procurement Strategy proposes exploring other licencing models, to see if these provide better value for money and to avoid the cost of moving to the next property band.
- 9.6 The procurement is anticipated to reduce infrastructure costs, it should also reduce the cost of upgrades as these will be included within the support agreement. There may be increased licence costs due to increased functionality, but costs will be contained within existing budgets.
- 9.8 There will be some initial implementation costs. These will not be known until the tenders are returned and will need to be considered as part of the Cabinet Report that appoints the provider. Finance Officers understand that the new system will likely take at least 18 months to implement so some form of cost overlap is likely and it would seem prudent to assume at least £600k for these amounts. The capital / revenue split of any such additional budget would depend on the exact nature of the costs incurred and would be met from the Housing Revenue Account / Housing Capital Programme as appropriate.

There may be a small General Fund impact as the Housing Management System is also used to manage Temporary Accommodation.

9.8.1 Implications completed by: Madhav Acharya, Finance Manager (Growth & Place), tel. 020 8753 6690.

9.8.2 Implications verified by: Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.

## **10. IMPLICATIONS FOR BUSINESS**

10.1. There are no implications for local businesses. Implications verified/completed by Albena Karameros, Programme Manager, tel. 02079388583.

## **11. COMMERCIAL IMPLICATIONS**

11.1. This report seeks approval for the procurement strategy presented in Appendix 1.

11.2. The total value of the contract is over the statutory threshold for good and services, currently set at £181,302. The proposed approach is in line with the Public Contracts Regulations (PCR) 2015 and the Council's Contracts Standing Orders.

11.3. A Notice will be placed in Tenders Electronics Daily (TED), Contracts Finder and capitalEsourcing.

11.4. The tender process will be two staged. The first stage will be open to the entire market, encouraging competition. Only the tenderers that meet the minimum standards set out will be invited to the second stage of the process.

11.5. The awarding criteria is based on the most economically advantageous tenderer. The price will represent 30%, while quality will account for 70% of the total score of the bidders.

11.6. A Tenders' Appraisal Panel (TAP) shall be set up and evaluation conducted in line with the requirements of the CSOs.

11.7. Implications verified/completed by: Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

## **12. SOCIAL VALUE CONSIDERATIONS**

12.1. Under the Public Services (Social Value) Act 2012 we have to consider how our spending could also generate wider benefits to the community in terms of economic, social and environmental well-being - collectively known as 'social value'. This is a legal requirement for all contracts with a value higher than the statutory threshold (£181,302)

12.2. That means we have to consider:

(a) how what is proposed to be procured might improve the economic, social and environmental well-being of H&F

(b) how, in conducting the process of procurement, we might secure that improvement.

12.3. While no local suppliers have been identified, the tenderers can submit their proposals with regards to social value. The procurement team will work closely with the project officers in developing adequate examples of how tenderers could contribute to the improvement of the economic, social and environmental well-being of LBHF.

12.4. It is advised that Social Value is considered as part of the awarding criteria (min. 5% of the Quality ratio)

12.5. Implications verified/completed by: Andra Ulianov, Procurement Consultant, tel. 020 7753 2284.

### **13. IT IMPLICATIONS**

13.1. The intention for the supplier to host the new Integrated Housing Management System (IHMS) is in line with the council's IT strategy.

13.2. The business case also notes that the new IT system used by the supplier is expected to be able to integrate with other council systems and third-party applications, and to remain aligned to the original Integrated Management Systems (IMS) re-procurement, in particular, the Self- Service Solution. As part of this, it will be required to function with open Application Programme Interfaces (APIs) and to be capable of interfacing with the council's Business Intelligence system if required. This will enable the council to use predictive data analysis in shaping its services. If data is required for this purpose then the council will need to ensure that the Privacy Impact Assessment is reviewed accordingly and required information governance actions are carried out.

13.3. The new IHMS supplier will be processing personal data on behalf of H&F, for example tenant information. A Privacy Impact Assessment is a statutory requirement and will need to be completed as soon as possible to ensure that all potential data protection risks are properly assessed with mitigating actions agreed and implemented to ensure a smooth transition between suppliers or to a new supplier, some of which will need to be included in the forthcoming tender packs, etc. For example, an information sharing agreement and a Supplier Security Checklist to ensure the systems used by the new contractor comply with H&F's regulatory requirements.

13.4. The contract with the IHMS supplier will need to include H&F's new data protection and processing schedule. These are compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.

13.5. Implications verified/completed by: Tina Akpogheneta, Strategic Relationship Manager, tel. 020 8753 5748.

## **14. RISK MANAGEMENT IMPLICATIONS**

- 14.1. Risk management plays an integral role in avoiding or reducing risk and in controlling residual risks associated with any decommissioning programs. Accordingly, a process for management of these risks should be applied during the decommissioning of work plans and the subsequent implementation of any new system. Consideration should be given to ensuring Business Continuity during transition so that services are unaffected by any potential change in supplier. Proposals to proceed to procurement are in accordance with our Corporate Commercial and Procurement risk, and meeting our Residents needs and expectations.
- 14.2. Implications verified by: Michael Sloniowski, Risk Manager, tel. 020 8753 2587.

## **15. OTHER IMPLICATIONS**

- 15.1. Business Intelligence - The current housing management system is a key data source for business intelligence across the organisation. Any tender must allow the current integration into the housing management system to continue. This is usually via a Backup/reporting version of the system that the BI infrastructure can connect to.
- 15.2. Implications verified/completed by: Duncan Smith, Principal Intelligence Analyst, tel. 020 8753 2551.

## **16. BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

Cabinet Report of 15/1/2018: Procurement Strategy & Business Case for Integrated Management Systems (*published*).

## **LIST OF APPENDICES**

Appendix 1 – Business Case & Procurement Strategy

**REPORT RELATING TO  
BUSINESS CASE;  
PROCUREMENT STRATEGY; and  
PROJECT MANAGEMENT AND GOVERNANCE  
FOR HOUSING MANAGEMENT SYSTEM**

**BUSINESS CASE**

**1. BUSINESS CASE – WHY THE PROCUREMENT IS NEEDED**

- 1.1 Following the end of the contract with Hammersmith & Fulham Bridge Partnership Ltd (a JVC with Agilisys) in October 2016, Legal Services identified a need to revisit the contractual arrangements for a number of key systems used at the Council. This included the Housing Management System provided by Northgate Public Services (UK) Ltd, known within the Council as “iWorld.”
- 1.2 On 15 January 2018, Cabinet approved the Business Case and Procurement Strategy for Integrated Management Systems (IMS) which included the Housing Management System, the Revenue and Benefits system, an EDMS system and self-service portal.
- 1.3 On 30 January 2018, it was agreed to procure self-service in advance of the other systems due to the contract for the “My Account” self-service portal coming to an on 31 October 2018, and due to the need to align the re-procurement with the procurement of a self-service portal for Streetscene.
- 1.4 Recent legal advice is that the Council should commence a procurement for the Housing Management System as a matter of urgency.
- 1.5 The current contract is due to expire on 31 July 2019 and the intention is to start the re-procurement before this date. Legal advice is that we should not extend the current contract. However, with the decision 'to take back control of our repairs' it is proposed not to start the procurement until after the new repairs service has gone live in on 17<sup>th</sup> April, as this will allow the Council time to focus on mobilising the new repairs service, which has significant ICT elements; and to give time to include the emerging requirements of the new repairs service in with the procurement.
- 1.7 The procurements should also include the emerging requirements of the new Housing Management Contact Centre due to open in April 2019.
- 1.8 There is a risk in not awarding the new contract before the end of July 2019, but this is a low risk which in the circumstances is acceptable. This implies rolling on the current contract with Northgate for another year. However, the Northgate contract has been rolled forward since 2007 and no challenge has emerged, and there is no indication of challenge, although this is only relevant since the end of HFBP. It should also be noted that the council is not saying that it will not procure;



only that the award will be outside of the current contract, but within the next year, and by including the new repairs service in the procurement the Council will be offering a more comprehensive package to the market.

## **2. FINANCIAL INFORMATION**

- 2.1 The estimated contract value is £394k pa including licence costs, infrastructure, and servers. The estimated whole life cost is £4.730m based on a full contract period of 12-years.
- 2.2 This is based on a licence limit of 25,000 properties. As this includes Tenanted properties, Leasehold, Temporary Accommodation, Garages and Car Spaces, Sheds and other HRA assets, the number of properties on the database is increasing, and the Council is near or at its limit. However, due to operational changes e.g. the outsourcing of repair ordering, the Housing System is currently being used less. As such, while this may change as the proposed contract is for up to 12 years, other licencing models will be explored based on use or usage, to see if these provide better value for money and to avoid the cost of moving to the next property band.
- 2.3 In line with the Council's strategy for externally hosted systems to reduce internal infrastructure requirements, the intention is for the successful supplier to host the Housing Management system. Not only is this anticipated to reduce infrastructure costs, it will also reduce the cost of upgrades as these will be included within the support agreement.

## **3. OPTIONS APPRAISAL AND RISK ASSESSMENT**

- 3.1 Due to the reasons outlined in 1, the council has no option but to carry out a re-procurement of the Housing Management System.
- 3.2 The option of carrying out a joint procurement for a single supplier across the various service areas was explored through the market engagement exercise carried out in October 2017 as part of IMS Programme, after which, the IMS Programme Board decided to opt for a "Best of Breed" solution rather than tendering for a single supplier. Under this option the individual systems would be tendered separately as individual Lots at the same time using Competitive Dialogue, with self-service being the key to the overall Integrated Management system, in that the back-office systems would integrate with the customer facing; self-service portal.
- 3.3 The Housing Management System re-procurement is therefore still aligned to the overall integrated approach of IMS as it seeks an individual solution for the service area.

### 3.4 Main risks

	Risks	Mitigation
A	Potential legal challenge if the Council does not start the procurement	A PIN was issued to mitigate the risk of legal challenge as part of IMS.  The Council is intending to start the procurement i.e. publish the contract notice in the Official Journal of the European Union (OJEU) before the end of the current contract on 31 July 2019.
B	Poor integration with other council systems and third-party systems	This will be a Technical requirement which will have to be met.
C	Potential connectivity issues between the Council's desktop and the hosted supplier	This will be a Technical requirement which will have to be met.
D	Loss of flexibility in carrying out small bespoke enhancements	This will be included within the contract management requirements.
E	Data Security	This will be included within the Technical requirements and the supplier will be expected to comply with the Council's Data Security Policy.
F	Requirements do not fully meet business needs	Workshops have been held with Subject Matter Experts (SMEs) to ensure the Functional requirements meet business needs. SMEs will also be involved in the tender evaluation.
G	Resource constraints due to other major ICT projects being carried out at the same time	The timescale takes into account other projects
H	Potentially large disruption to the service	A Mobilisation Plan will be agreed prior to implementation.
i	Poor on-going contract management	There will be continuity of management through the procurement, implementation, and handover to on-going contract management.

## 4. THE MARKET

- 4.1 There is a well-established mature market for Integrated Housing Management Systems that cover small, medium and large size organisations.
- 4.2 As part of the IMS Market Engagement – 6 suppliers took part in the market testing exercise in relation to the Housing Management system. These were:
- Aareon UK
  - Capita Business Services
  - Civica UK
  - HCL Technologies UK
  - Northgate Public Sector
  - Orchard
- 4.3 Suppliers also confirmed during the market engagement that they can provide a hosted solution.

## **PROCUREMENT STRATEGY**

### **5. CONTRACT PACKAGE, LENGTH AND SPECIFICATION**

- 5.1 The package will include all the core housing management functions currently carried out on iWorld e.g. voids and allocations including homelessness, tenancy management, rent accounting and rent arrears, residual repairs, property purchase, and service charges integrated around a core people and property database.
- 5.2 The package will also include EDMS and Self-Service options that can either standalone or fit with corporate solutions.
- 5.3 There will also be a focus on mobile working that will facilitate more agile ways of working.
- 5.4 Functions not currently carried out in iWorld will be included on a contingency basis to give the Council the option of scaling up (or down) in the future and to consolidate databases e.g. when contracts end. This includes ASB and Homelessness Reduction.
- 5.5 The requirements of the new repairs service will be included within the contract including for a Direct Labour Organisation.
- 5.5 In line with the original IMS Cabinet Report, a contract of up to a maximum 12 years is proposed with break points at the end of years 7 and 10. Implementing systems of this size and complexity is a large undertaking in terms of time, effort, and cost, and can potentially have a large disruptive impact on the service (both positive and negative). As such, a long-term relationship is proposed to realise benefits.
- 5.6 As integration is core to the system enabling ease of use, single view of the data and lower support costs, breaking the packaging into separate Lots is not proposed.

## **6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS**

- 6.1 Due to the speciality in the market, which is either national or international in outlook, there are no local suppliers.
- 6.2 The Housing Management System will enable the Council to carry out its statutory and landlord functions including allocating to those in need according to the Scheme of Allocations and supporting Tenancy sustainability.
- 6.3 A requirement will be drafted to ask the market what additional social value they can provide.

## **7. OTHER STRATEGIC POLICY OBJECTIVES**

- 7.1 This is aligned with the IT strategy for:
- infrastructure neutral systems i.e. hosted, and for;
  - database consolidation.
- 7.2 It is also aligned with the new desk top strategy enabling more mobile and agile working and 'to take back control of our repairs' .
- 7.3 Moving to a hosted solution, and by going back to the market, should provide savings and enable business transformation based on improved functionality and Technology. This supports the Council's priorities for *being ruthlessly financial efficient* and for being *a different kind of council – pioneering and relentlessly searching for better answers*, and supports the Council's vision of being *the best Council*.

## **8. STAKEHOLDER CONSULTATION**

- 8.1 The work leading to the development of this strategy has involved the IMS Programme Board which includes Growth and Place, Residents Services, ICT, Procurement, and Legal Services.
- 8.2 Workshops were held with SMEs across all service areas in developing the functional requirements.

## **9. PROCUREMENT PROCEDURE**

- 9.1 As the Council can specify its Housing Management requirements; and as there are readily available solutions, and due to the time constraint, the Restricted Procedure is proposed rather than Competitive Dialogue.

## **10. CONTRACT AWARD CRITERIA**

- 10.1 The contract will be awarded on the basis of most economically advantageous tender which will follow the award criteria shown in the table below.

Tier 1	%	Tier 2	%	Tier 3	%	%	Overall %
Price	30	none					30
Quality	70	Technical	20	Technical	65		9
				Social Value	35		5
		Contract Management	15	none			11
		Functional	65	Property Maintenance		20	9
				Service Charges		20	9
				Tenancy Management		20	9
				People & Property		15	7
				General		10	5
				Self Service		10	5
				EDMS		5	2
	100		100		100	100	100

10.2 The IMS evaluation criteria have been reviewed as Competitive Dialogue is no longer being proposed. This has placed the emphasis more on Quality than Price and on the Functional requirements, as these are more relevant for a back-office system that will better enable service improvements. The weightings reflect the business-critical areas identified at the user workshops and importance of the new repairs service.

## **PROJECT MANAGEMENT AND GOVERNANCE**

### **11. PROJECT MANAGEMENT**

11.1 A Project Manager has been assigned to the project reporting the Head of Systems and Programmes Management on a day to day basis, who is also the Project Sponsor. Both will report to the Service Review Team (SRT), which will be chaired by the Assistant Director of Operation within Growth and Place, who is also the Senior Responsible Officer. The SRT will include representatives from ICT, Procurement and Legal, and other areas as required. The Tender Appraisal Panel will be drawn from the SRT and widened to include SMEs. The SRT will report into the Strategic Delivery Board within Growth and Place.

### **12. INDICATIVE TIMETABLE**

12.1 The key milestones are

- Receive Cabinet approval 14 January 2019
- Publish OJEC Notice Before 31 July 2019
- Award contract Jan-April 2020

### **13. CONTRACT MANAGEMENT**

- 13.1 The Head of Systems and Programmes Manager will be the Contract Manager post award. This will ensure continuity from procurement and implementation through to business as usual.
- 13.2 The successful supplier will be expected to comply with the council's standard IT terms and conditions including Service Level Agreement. The service provided by the hosted supplier, including implementation, will also be covered in the requirements