	London Borough of Hammersmith & Fulham **CABINET** **1 JUNE 2015**

PROPERTY ASSET DATA MANAGEMENT – PROPOSED CALL OFF	
Report of the Cabinet Member for Finance: Councillor Max Schmid	
OPEN REPORT **A separate report on the exempt part of the Cabinet agenda provides exempt information.**	
Classification - For Decision **Key Decision:** Yes	
Wards Affected: None	
Accountable Executive Director: Nigel Pallace, Chief Executive	
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1. EXECUTIVE SUMMARY

1.1. The current contract for the provision of a property asset data management (PADM) system for H&F's Transport and Technical Services (TTS) expired in April 2015. This report sets out proposals for the procurement of a new asset management system for H&F.

1.2. The annual revenue budget costs for Transportation and Technical Services is £58,482.00 per annum. The annual revenue saving to Transportation and Technical Services is approximately £22,000.

1.3. A PADM system is a crucial resource for H&F. It enables the Council to meet CIPFA reporting requirements, statutory capital asset transparency requirements and to manage the operational and investment property portfolios.

1.4. The proposals set out in this report are to replace the system used by TTS and to implement a system for H&F's Housing Division (HD) by calling off on the pan-London Managed Services Lot 3 framework agreement with the Technology

Forge Limited. The proposed solution will also become the preferred corporate solution for PADM systems for H&F.

1.5. The Technology Forge Limited currently provides a PADM system for TTS. To call-off under the framework agreement would allow TTS to upgrade to a more advanced version of the existing system and add additional online reporting functionality at a reduced cost. It will also ensure continuity in the provision of an important service, which is due to expire in May 2015.

1.6. It is recommended that the Hammersmith and Fulham Bridge Partnership Ltd (HFBP) are instructed to enter into a contract on behalf of the Council with the Technology Forge Limited.

1.7. This proposal is made in the context of the Shared Services Asset Management and Property programme, which seeks to align the management of property assets with shared objectives, and to ensure that land and buildings provide optimal value to the organisations and communities they serve.

1.8. This proposal is aligned with the findings of the 'Critical Friends Board Report' by ensuring that H&F retains sovereignty of ownership of data and management of property portfolios; facilitating the use of good practice in processes and ICT systems; and using a framework contract and methodology that can be adopted by other Local Authorities.

1.9. Westminster City Council (WCC) called off on the PADM framework agreement in May 2014 and completed the first phase of implementation (system installation) in September 2014. The Royal Borough of Kensington and Chelsea (RBKC) are expected to call off on the framework in autumn 2015.

1.10. A new procurement process for a PADM system, without going through the framework agreement, would involve a 6 to 12 month period at considerable cost. H&F have already incurred the costs for the procurement of the framework agreement, which have been shared with tri-borough partners.

2. PROPOSAL AND RECOMMENDATIONS

2.1 To approve LBHF calling-off Lot 3 of the Managed Services Programme Framework Agreement for the provision of Property Asset Data Management Systems and Services, and entering into a call-off contract with Technology Forge Limited for a term of five-years with an option to extend for a further 3 years at an annual cost of £84k in year 1 and £74k per annum thereafter.

2.2 That approval be given to LBHF to enter into a form of agreement with HFBP to contract manage the above call-off contract on its behalf in accordance with the IT Service Contract. ..

2.3 That authority be delegated to the Cabinet Member for Finance in consultation with the Executive Director of Transport and Technical Services to exercise the option to extend the above call-off contract in line with the provisions set out in the call-off contract.

3. REASONS FOR RECOMMENDATIONS

3.1. The current contract for the provision of a property asset data management (PADM) system for H&F is due to expire in May 2015. It can be extended to support the implementation of the new system.

3.2. An asset management system is a crucial resource for H&F, enabling the Council to meet CIPFA reporting requirements, statutory capital asset transparency requirements and to manage the operational and investment property portfolios. It is used to capture, manage and report on property assets in which the Council has an interest.

3.3. An accurate and robust asset register is essential for the management of the property portfolio and is the primary source of information for the capital asset register within Finance. The current estimated value of the H&F investment and operational property portfolios is £541m (excluding housing).

3.4. The Technology Forge Limited provide TTS's current PADM system and to call-off under the framework agreement would allow TTS to upgrade to a more advanced version of the existing system and add additional online reporting functionality at the same cost. It will also ensure continuity in the provision of an important service, which is due to expire in May 2015. It will enable the continuation of management and reporting on the core property asset register for H&F. In addition, it will support the strategic management of the operational and investment property portfolios.

3.5. It is proposed that the solution will become the preferred corporate PADM for H&F, allowing costs to be shared across departments. This means that a number of services will have their property asset data and information on one system. H&F's HD have completed an evaluation programme and have confirmed that the proposed PADM solution will meet their business requirements. The annual licence, service and support costs for the system that are set out in this report will be initially shared between the TTS and HD departments. In addition, work has started with Legal Services and Schools management services to confirm that the system will meet their business requirements.

3.6. The key to strategic housing asset management and the most effective use of available funds is visibility of all asset information and cost data. The Council does not currently have this information easily available for its housing stock as information is held on multiple databases and in some cases in paper records. Technology Forge will give the Housing Department a single view of all Housing Assets including all our long leasehold interests, stock condition data and statutory compliance (Health and Safety) data. Technology Forge will provide Housing with real time data and financial projections and therefore provide the basis for easier scenario modelling, planning and monitoring. This will not only inform the Planned Maintenance and Capital Programme, but will also inform (once the latest Stock Condition data is loaded), the Strategic Housing Stock Options Appraisal. The system is also easier to maintain than the current databases and can be interfaced with the Council's Housing Repairs and Planned Maintenance contractor; officers can also maintain it on a day to day basis through using handheld devices. There is the facility to load photographs and certificates, so it brings the benefits of an electronic data management system reducing the need for paper documents to be stored.

3.7. H&F have already incurred costs for the procurement of the framework agreement as the procurement costs were shared between the tri-borough partners. Any further procurement costs that might be incurred from a new procurement exercise would be in addition to those already incurred.

3.8. Expertise and knowledge within the relevant service areas recognises that the Technology Forge Limited is a market leader in the provision of PADM systems. In addition, past experience of the Technology Forge's services has demonstrated that their solution meets the Council's business requirements for a property asset data management system.

3.9. The implementation of the framework solution will underpin and help to progress efforts to align asset registers, improve the quality of asset data, and promote best practice and standards. Future collaborative work on property would be significantly assisted with asset data stored consistently and on the same system. The continuation of separate arrangements will add a time and cost penalty to any future Shared Services activity for property services.

3.10. A virtual Shared Services data team and respective team model is being put in place. It is expected that there will be a lead for each borough and a manager with responsibility for ensuring good practice and effective data standards.

3.11. The pan-London framework contract is open to seventeen other London Local Authorities who are named in the contract. This means that there is the potential to align data and to be able to report on property portfolios for other London Local Authorities. In addition, the virtual Shared Services data team model may have the potential to be developed as a 'centre of excellence' and to be expanded to offer services to other Local Authorities or partner organisations (e.g. NHS).

3.12. The solution will streamline the processes through which asset information is shared with the Shared Services Agresso finance system and facilities management services provided through the Link and Amey. It will underpin work to facilitate the Working from Anywhere Programme as well as discussions on the co-location of services.

3.13. The framework agreement provides an efficient common mechanism, which allows all three Councils to procure an aligned PADM solution.

3.14. The letting of the framework agreement was achieved through a robust and competitive process. The solution provided through the framework meets and exceeds H&F's requirements; it is functionally advanced, and is well supported and maintained.

4. BACKGROUND

4.1. The pan-London framework agreement forms Lot 3 of the four Lots of the Managed Services Programme (MSP), which includes Finance & HR (Lot 1), E-sourcing (Lot 2) and Business Intelligence (Lot 4).

4.2. The three boroughs currently operate separate systems and approaches for Property Asset Data Management. Work has advanced on the convergence of

approaches and processes, and will be progressed through this proposal to achieve a Shared Services property information architecture.

5. PROPOSAL AND ISSUES

5.1. The Tech Forge solution and property asset data would be supplied, maintained and hosted directly by the Technology Forge Limited. H&F TTS currently use an earlier version of the Tech Forge system which is provided by HFBP.

5.2. The scope of the framework is initially limited to the property portfolios for operational corporate properties (e.g. town hall buildings and other buildings used to provide services), investment properties (tenanted non-operational properties; e.g. HRA, shops, transformer chambers, way-leaves, third sector properties etc...) and Housing Department properties.

5.3. The Shared Services Legal services and Schools management functions are intending to be able to use the PADM system to manage property data and information. Work has started with the service to ensure that the system will meet their business requirements. Discussions have also started with the LINK Team (Shared Services intelligent client function for the facilities management contract) and Amey (facilities management provider), regarding potential future developments to meet their requirements. Future business case proposals are anticipated to meet these needs.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. This proposal is for the call off on the framework, which will put in place a contract between LBHF and Technology Forge Limited.

6.2. The alternative option would be for H&F to undertake a new procurement process for a PADM system through HFBP. This would mean that H&F would incur additional procurement costs, when it has already shared procurement costs with WCC and RBKC for the framework agreement. The procurement costs would depend on the complexity of the system and the business requirements but are anticipated to be significant. In contrast the framework agreement provides an efficient and compliant way to procure a solution which meets all requirements.

6.3. Existing business knowledge of the market and historic procurement exercises have shown that the Technology Forge Limited's PADM solution is an industry respected market leader and that the supplier has been able to meet the growing needs of PADM services across the UK.

6.4. H&F were closely involved in the development of requirements specifications and the letting of the framework agreement, which was achieved through a robust and competitive process with four potential suppliers taking part in the procurement process. The Tech Forge solution was found to be the one offering the best value for money and best meeting the business requirements.

Options	Arguments Against	Arguments For

1) MSP Lot 3 Framework Call Off	• The annual revenue and implementation costs (see below) and a brief period of change to allow for implementation.	• Establish a corporate PADM solution for H&F.
		• Ensure maintenance of important PADM data and information.
		• Ensure continuity and minimise change for LBHF (minimal change for users, data migration etc...).
		• Necessary ICT expertise in place to manage the contract on a day-to-day basis.
		• H&F have already invested in procurement processes for the MSP Lot 3 along with Shared Services partners.
		• Functional advances.
		• Shared Services/bi-borough partnership
		   o Asset register alignment
		   o Interface to Finance and HR systems
		   o Interface to Facilities Management systems
		   o Enable reporting and Business Intelligence analysis to support strategic Shared Services decisions
		   o Best practice alignment
		   o Resource /capability potential
		• Retain existing systems developments made by the Technology Forge Limited to meet H&F requirements.
		• Functional advances

| 2) Re-Tendering via HFBP | • Additional and significant costs for re-tendering.
• H&F have already invested in the procurement and implementation of the framework agreement.
• Soft market data shows it is very unlikely that an alternative product, which meets requirements at a significantly lower cost, would be available.
• Divergence from a Shared Services approach would create difficulties with the integration of Shared Services management and decision-making, and mean that H&F incur additional costs to interface ICT systems.
• Lose existing systems developments made by TF to meet H&F requirements. | • Allow the consideration of options not considered during the procurement of the framework agreement in 2012/13. |

7. CONSULTATION

7.1. It is intended that the PADM system will be a 'back-office' system, which is largely used by internal staff to manage data and to report on property assets.

7.2. Extensive consultation has taken place with internal staff across the tri-borough Councils. A project team has been setup to support implementation and has been working with a number of colleagues across the Councils, including colleagues in Finance and facilities management services.

7.3. In addition, project highlight reports have been submitted to the Shared Services Asset Management Property Board and the Managed Services Programme Board. With reports to other Boards provided when required, including Finance managers' meetings at LBHF and RBKC.

8. EQUALITY IMPLICATIONS

8.1. This proposal involves the upgrade of an existing ICT system. An Equality Impact Assessment has been considered not to be required for the changes that this report proposes.

8.2. It is intended that the PADM system will continue to be a 'back-office' system used by internal staff and there is no intended impact on staffing or current resources.

9. LEGAL IMPLICATIONS

9.1. It is understood that LBHF are able to access the Pan-London Managed Services Lot 3 Framework Agreement for the provision of Property Asset Data Management Systems and Services dated 21 March 2013 (the Framework Agreement). The proposed call-off contract should be carried out in accordance with Regulation 19 of the Public Contracts Regulations 2006 (as amended) and the Framework Agreement.
9.2 The Council's IT requirements are provided by HFBP under a service contract dated 01 November 2006 ("the IT Service Contract"). Under the IT Service Contract, HFPB contract manages the Council's suppliers for the provision of IT software. As such a management contract in respect of the Services will be entered into accordingly.

9.3 Legal Services will be available to assist with finalising and completing the necessary contract documentation.
Implications completed by: Kar-Yee Chan, Solicitor (Contracts), Bi-borough Legal Services, 020 8753 2772.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. The tables below outline the expected costs of the system and associated services over the five year period of the proposed contract.

10.2. The annual service costs and implementation costs of the contract would be shared between H&F's TTS and HD. The tables below show that the annual cost of the contract would be approximately £73k, with a cost of £84k in the first financial year. The total contract value if H&F call off on the framework agreement is expected to be £375k.

10.3. The annual cost of the current service for H&F's TTS is £58,482 for financial year 2013/14. This cost has been subject to annual index linked increases.

10.4. Table A below outlines the annual revenue budget costs for H&F's TTS and HD to call off on the framework agreement. It shows a reduction in the annual budget expenditure for TTS of approximately £22k per annum. This will exclude the first year of the contract, as there will be a period of parallel running of the old and the new systems.

10.5. The costs of the second option outlined above (re-tendering via HFBP) are expected to be similar to those set out below, but additional procurement costs would be incurred.

10.6. The continuation of separate arrangements for property asset data management systems will add a time and cost penalty to any future Shared Services activity. Previous Shared Services property activity has resulted in additional cost and time delays from the need to analyse and align property data across the three Councils.

10.7. The supplier (Tech Forge) costs of implementation of the framework agreement system and services are £30k for H&F. This will be in return for services relating to data migration, training, testing and for establishing the necessary interfaces to ICT systems that hold property related information.

10.8. The shared services change costs set out below show the projected costs of resources required to manage the implementation of the proposed solution and to complete associated detailed business analysis work.

10.9. An initial evaluation of the system by H&F's HD concluded that the solution would meet their business requirements. There are additional modules that HD may need to purchase. The anticipated additional cost is £7k but the business need will be tested during the implementation stage and will be subject to the framework agreements change control process.

10.10. The funding for H&F's TTS implementation costs will be met by IT reserves and the annual costs from existing revenue budget.

10.11. The funding for H&F's HD costs will be met from the IT Projects Budget as will any on-going costs. It is expected that they will then be consolidated into the Application Charges budget at the start of the year.

10.12. Implications verified/completed by: Gary Hannaway (Head of Finance for Transport and Technical Services); tel.: 020 8753 6071 and Daniel Rochford (Head of Finance for Housing Division); tel.: 020 8753 4023.

11.   RISK MANAGEMENT

11.1.   Implementation of the proposed system is dependent on a number of interfaces with ICT systems holding related property information. This includes systems for finance, facilities management, and external services for property valuations and property insurance valuations. There is a level of uncertainty in the complexity and volume of work required to build and maintain interfaces. The detailed information required to design and build interfaces is currently being captured and will be finalised during the implementation stage.

11.2.   The work to align data standards and structures across the tri-borough Councils is a substantial volume of work. Resources with existing specialist knowledge and expertise have been made available to ensure that the quality of property data is at the required standard and meets CIPFA requirements.

11.3.   The MSP Lot 3 forms part of a Managed Service and as such the Council should reflect this in its Business Continuity response plans. An assessment of the criticality of the system to the Council should also be made in conjunction with the Bi-Borough Business Continuity Officer. Business Continuity is noted on the Bi-Borough Enterprise wide Risk Register, risk number 5. Information risk should also be considered to ensure the integrity and security of data remains robust and that its availability to the Council is maintained during transition. Information risk is also noted on the Bi-Borough Enterprise wide Risk Register, risk number 9, maintaining reputation and service standards.

11.4.   Implications verified/completed by: Michael Sloniowski (Bi-Borough Risk Manager); tel.: 020 8753 2587.

12.   PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1.   On 21 March 2013 Westminster City Council (WCC) awarded a framework agreement for the provision of Property Asset Data Management (PADM) systems and services. The opportunity was published on 18 January 2012 in the Official Journal of the European Union (OJEU) under reference: 2012/S 12-019431. The framework agreement was awarded on 21 March 2013 and a Contract Award Notice was published in OJEU on 17 May 2013 (ref: 2013/S 095-161527).

12.2.   The agreement with the Technology Forge Limited (Tech Forge) was made on behalf of Westminster City Council, the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea, and seventeen other named Local Authorities.

12.3.   Within the four year period of the Lot 3 framework agreement named authorities may "call off" contracts of up to five years in length, with the right to extend for three one-year periods. Where possible the tri-borough Authorities will agree co-terminus contract expiry dates with the supplier.

12.4.   H&F have a strategic ICT contract with the Hammersmith and Fulham Bridge Partnership (HFBP) for the provision and supply of ICT services (hardware, software & telecoms). The services, expertise and specialist knowledge that relate to ICT services are part of the HFBP organisation. This includes those relating to ICT procurement, contract management and the provision of ICT systems

(including external applications). It is expected that the contract will need to be entered into between Hammersmith & Fulham Bridge Partnership Ltd (HFBP) (acting on behalf of the Council) and Technology Forge Limited. The direct contract between the Technology Forge Limited and HFBP will ensure that the contract and services can be managed effectively. H&F's contract with HFBP is due to expire in October 2016, it is anticipated that any existing agreements or contracts will be novated to the future provider of such services.

12.5. Implications verified / completed by: Alan Parry (TTS Procurement Consultant); telephone: 020 8753 2581.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES : **(contained in the exempt report):**

Appendix A - Annual Revenue Costs
Appendix B - Implementation Costs