

Report of: Corporate Director of Housing

Officer Key Decision	Date: 23 September 2020	Wards: All
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Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Procurement strategy and contract award for Housing Repairs Diagnostic and Job Management IT Solution**1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the Housing Repairs Diagnostic and Job Management IT Solution in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 This contract is for the supply of an IT solution that will support the council housing repairs and maintenance service. The IT Solution will enable the correct diagnosis of repair jobs, effective scheduling and management of repair jobs for the benefit of Islington council tenants.

2. Recommendations

- 2.1 To approve the procurement strategy for the Housing Repairs Diagnostic and Job Management IT Solution as outlined in this report.
- 2.2 To authorise a direct award of contract through the G-Cloud procurement framework to Oneserve for the provision of the full IT solution for a period of 24 months commencing on 21 January 2021 with the option to extend for a further 12 months on two occasions.

3. Date the decision is to be taken:

23 September 2020

4. Background**4.1 Nature of the service**

The Housing Property Service Department is responsible for the annual delivery of approximately 90,000 individual responsive repairs and servicing jobs within homes and estates managed by the council located across the borough. In order to manage and complete these jobs, the service has an on-going business critical requirement to use an IT solution to enable it to manage effectively and efficiently the resources needed to complete these works.

- 4.2 The service uses the IT solution to correctly diagnose repair works required when reported by council tenants and leaseholders, schedule repair appointments with residents, ensure the correct in-house repairs trade operatives attend the appointments to complete the works and that they have the right building materials to carry out their works. The solution also manages programmes of specialist health and safety servicing jobs for example to gas appliances in homes or lifts in blocks and is used to co-ordinate the issuing and oversight of jobs issued to external contractors when works cannot be done by the in-house repairs teams.
- 4.3 Failure to have on-going access to such an IT solution would prevent Housing Property Services from carrying out its duties effectively and efficiently which would cause significant delays to the repairs service received by Islington council tenants and leaseholders.
- 4.4 The council has an existing contract with an IT system supplier to provide the current IT solution. Following an open tender, the existing contractor was awarded a five-year contract that started in January 2016 to supply their specialist repair management IT system. This contract also includes a sub-contract agreement between the primary supplier and a sub-contractor to provide an additional specialist repairs diagnostic and booking IT system. The housing repairs call centre uses this secondary IT system to correctly diagnose the cause of the repair problem, schedule an available appointment with the resident and confirm the booking of the repair job. Together both these IT systems are referred to in this report as the IT solution.
- 4.5 Following an extensive 18-month implementation period to set up and configure the IT solution to meet the requirements of the council, the solution went live in August 2017. Further ad-hoc configuration changes and required developments to both IT systems have taken place since go live.
- 4.6 The existing contract is due to expire on 20 January 2021. For this reason, a new procurement strategy is required to procure a new contract with the existing supplier including the existing sub-contractor in order to maintain the operation of the IT solution for the repairs service.
- 4.7 In anticipation of this procurement, we have written a new specification outlining the key requirements and further developments the council requires as part of the new contract. Key stakeholders linked to the Housing Repairs IT board have agreed this specification. Discussion with Islington Digital Services has also taken place regarding the preferred procurement route to secure a new contract.
- 4.8 **Estimated Value**
Spend on the existing IT solution over the five years of the full contract term has been £624,000. This spend was front loaded with £340,000 being paid in the first year of the contract to cover both the initial set up of the solution and the full costs of individual licences.
- 4.9 In addition to the above contractual cost of the IT solution, the council has also spent an additional £504,000 incrementally between the start of the existing contract and March 2020. This cost includes activities linked to the integration of the IT solution to the wider council IT

network, testing of the set up as well as additional bespoke developments to the IT solution and finally project management throughout the length of the existing contract.

4.10 This means the council has spent a total of £1,128,000 on the existing IT solution.

4.11 The estimated spend on the new contract is £685,000. It is anticipated this spend will deliver a new contract with the existing supplier including the current sub-contract arrangement for four years from 21 January 2021 to 20 January 2025. The estimated cost of the new contract for the supply of the existing IT solution is calculated using the prices of the existing repairs IT system supplier published on the G-Cloud procurement framework as well as discussions with the existing sub-contractor that supplies the of the current repairs diagnostic system as part of the overall IT solution. It is anticipated a significant reduction in this estimated cost can be achieved. This assumption is made as the published costs on the G Cloud framework will include the setup of the IT solution that is not needed as the solution is already in use by the council and it is already fully integrated on the wider council IT network and existing users require no training to use the existing IT solution.

4.12 Existing Housing Revenue Account (HRA) budgets will fund the new contract.

4.13 **Timetable**

The existing contract with the incumbent supplier expires on 20 January 2021. It is critical a new contract is in place from this date in order to provide continuity of access to an IT solution for use by the housing repairs, gas and estate maintenance services. The timetable for this procurement is therefore:

- Approval of Procurement Strategy – 23 September 2020
- Formal section from G Cloud Procurement Framework – October 2020
- Award of contract – October/November 2020
- Mobilisation of contract – November 2020/January 2021

4.14 Consultation has taken place with the Housing Repairs IT board about the need to procure an IT solution prior to the expiry of the existing contract. The board has set out the business need to maintain the existing IT solution and also considered and agreed the revised specification to be incorporated into the new contract. Other key stakeholders consulted include the Islington Digital Services Housing Business Relationship manager and the Procurement and Risk Manager. Strategic Procurement, Finance, Legal and the Energy Team were also consulted.

4.15 The Commissioning and Procurement Board considered an initial draft of this report at its July meeting and the report has been adjust to incorporate recommendations made by the board.

4.16 **Options appraisal**

One option would be to explore the use of alternative IT systems already in use by the council to deliver this solution, in effect bringing the solution in-house. The benefit of this option could be that cost savings are achieved as an additional contract for the supply of a specialist IT solution is not needed. This option has been rejected as other IT systems currently operating in different parts of the council have been used in the past in an attempt to deliver the IT requirements for the housing repair service but these failed to deliver the requirements of the specification for the current IT solution. It would require significant and unknown amounts of time and financial investment by the council to attempt to get these other IT systems to meet the minimum specification requirements of the existing IT solution. In addition, the in-house digital services team does not have the capacity to complete this work.

- 4.17 A full open tender is another option for the procurement of a new contract but this is rejected. The benefit of this option would be that the market is fully tested as it was in 2014. The drawbacks of this option are we have no evidence the market for such specialist IT systems has moved forward significantly since the previous open tender was completed in 2014. The financial cost linked to the risk of changing IT solution will be significant with the £504,000 pre and post go live investment made by the council to support the go live and development of the existing IT solution as set out in paragraph 4.9 being lost. We anticipate the council would need to repeat a similar investment again to ensure any new IT solution fully integrates with the wider council IT network. In addition, there is insufficient time in which to conduct an open tender procurement before the existing contract expires in January 2021.
- 4.18 The final and preferred option is to make a direct award to the existing IT supplier using the Government G Cloud IT procurement framework. The existing IT supplier is a member of this procurement framework. The primary benefit of this option is the council can continue to use the existing IT solution for up to a further four years thereby protecting the significant financial investment it has already made in this solution as set out in paragraph 4.10. In order to join the procurement framework IT suppliers have had to submit their prices through a competitive process as part of their application to join the framework so the council has reassurance of value for money. This option will deliver the procurement quickly, efficiently and cost effectively. Use of the framework also ensures compliance with OJEU procurement rules.
- 4.19 There are no options for collaboration as the IT systems required are specialist linked to jobs scheduling and repairs management. Neighbouring boroughs have their own existing IT systems in place for managing these functions.
- 4.20 **Key Considerations**
Opportunities to secure direct employment and training for local Islington residents will be limited as the supplier of the IT solution is located in the south west of England. The council will seek opportunities for the supplier to support the council World of Work scheme as a social value condition within this contract. The council will also explore with the supplier of the IT solution and their sub-contractor how they can minimise any existing adverse impact the IT solution has on the environment by using sustainably generated electricity to power servers linked to the delivery of the IT solution.
- 4.21 A requirement to pay the London Living Wage will be included as a condition of this contract.
- 4.22 Throughout the life of this contract, regular reviews will take place on the functionality of the IT solution. Work will be undertaken with the supplier to ensure the solution remains fit for purpose ensuring the IT solution continues to support changes that will take place within the service over time.
- 4.23 As part of this procurement, the council must consider the risk to best value resulting from a potential change in IT supplier given the existing solution only launched in August 2017. Prior to the launch of the existing solution the council made significant investment, as set out in paragraph 4.9, configuring the solution to meet council requirements, connecting it to other council systems within its network and with other external suppliers IT systems and training several hundred staff and contractors on its use. In order to protect this initial investment and stop the risk of needing to spend a similar amount on the set up and roll out of a new IT solution the preferred option for this procurement is to make a direct award of a new contract to the existing supplier including the existing sub-contracting arrangement. A move by the council to a different IT solution would require significant additional financial investment. This

investment would likely be of a similar amount to that spent on the set up and roll out of the existing IT solution before the council has seen the full benefit of the investment made to deliver the existing solution.

4.24 There will be no TUPE or similar implications resulting from this contract for existing council staff.

4.25 **Evaluation**

The framework guidance states the final choice of supplier made by the council is to be based on best fit. Best fit for the council is to make a direct award through the framework to Oneserve for the reasons set out within this report.

4.26 **Business Risks**

The primary business risk associated to this procurement is that the procurement, or an element of it, fails. This could result in the housing repairs, gas and estate maintenance services having no IT solution to use for the day-to-day management of their business critical operations. Should the whole procurement fail the mitigation to avoid this situation is that the council agree to an extension to the existing contract through approved waiver of standard procurement rules until a further procurement is completed.

There is also a risk that the sub-contract arrangement cannot be delivered through the procurement framework or that the existing IT repairs system supplier does not wish to continue with the existing sub-contract arrangement. The mitigation for this risk is that the council continue to procure the repairs management IT system through the G-Cloud procurement framework and considers a waiver of the procurement rules to enter into a direct contract with the supplier of the repairs diagnostic IT system.

4.27 The procurement provides an opportunity to gain commitment from the existing supplier to complete a number of planned developments to the IT solution to meet current and future business needs. These have been clearly set out in the revised specification document for the new contract. The new contract will manage the delivery of these developments.

4.28 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

4.29 The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	IT solution for diagnosis and management of housing repairs and maintenance works. See paragraph 4.1

2 Estimated value	<p>The estimated value per year is £171,250.</p> <p>The agreement is proposed to run for a period of 24 months with an optional extension of two 12 month periods.</p> <p>See paragraph 4.11</p>
3 Timetable	<p>Procurement Strategy and direct award approval – 24 September 2020 Selection from framework – October 2020 Mobilisation – October 2020/January 2021</p> <p>See paragraph 4.13</p>
4 Options appraisal for tender procedure including consideration of collaboration opportunities	<p>The options appraisal approach is set out as a condition of using the G Cloud procurement framework.</p> <p>See paragraph 4.16</p>
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>Social benefit will be sought through contribution toward the council World of Work scheme and consideration of green energy usage options. London Living Wage will be a requirement of the contract.</p> <p>The significant detrimental impact on Best Value resulting from any move to an alternative IT solution resulting from this procurement mean the preferred option is to make a direct award to the supplier of the existing IT solution.</p> <p>There are no implications for Islington staff resulting from this contract.</p> <p>See paragraph 4.20</p>
6 Award criteria	<p>As set out in the guidance for use of the G Cloud procurement framework.</p> <p>See paragraph 4.25</p>
7 Any business risks associated with entering the contract	<p>There are critical business risks of not entering a contract with the existing supplier before the end of the current contract. Failure to achieve this will result in significant breakdown of service delivery and reputational damage to the council.</p> <p>See paragraph 4.26</p>
8 Any other relevant financial, legal or other considerations.	See paragraph 5

5. Implications

5.1 Financial implications

The current Housing Repairs IT Solution was procured in 2015-16 for £624k over a 5-year period and is currently funded from the HRA recharge budget to IDS. If the contract is awarded to Oneserve Ltd as recommended, the cost profile of the contract will be as follows:

	Development & Implementation Costs	Running Costs	Total
Year 1	£12,000	£166,800	£178,800
Year 2	0	£167,855	£167,855
Year 3	0	£168,936	£168,936
Year 4	0	£170,045	£170,045
Total	£12,000	£673,636	£685,636

The cost of the contract over the initial 24-month period would be £347k. If the contract is then extended twice, each time by 12 months, the total cost of the contract would be £686k.

Year 1 includes a one-off development cost to move the existing Synthesys system into the Cloud and it is estimated to cost £12k.

Running costs include Licences, Testing, Training, Support & Maintenance, and the costs for other functions & modules, as required by the Repairs team.

The average running costs for the new contract is approximately £168.4k per annum, which represents a budget pressure of £63.6k per annum compared to the current contract. This is mainly due to the larger quantity of licences required and a change in the supplier's pricing model for the Core & Mobile Functionality Licences.

This budget pressure will be included as part of the updated HRA 30-year business plan, which is due to go to HMT in September 2020 for consideration.

5.2 Legal Implications

The council may procure a Housing Repairs Diagnostic and Job Management IT Solution which is required to facilitate the discharge of the council's housing repair duties (sections 111 Local Government Act 1972, Part 2 Housing Act 1985 and section 11 Landlord and Tenant Act 1985)). The Council may enter into a contract for the provision of such services (section 1 Local Government (Contracts) Act 1997).

The proposed contract is a public services contract. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £189,330 for service contracts. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The council's Procurement Rules also require contracts over the threshold to be subject to competitive tender. The proposed procurement strategy to award a contract to OneServe (the council's existing supplier) by way of a direct call off a contract from the Government's G Cloud IT framework. That framework was procured in compliance with the Public Contracts Regulations 2015 following an OJEU advertisement and may be accessed by the Council for the housing repairs IT solution. Accordingly, a contract may be awarded to OneServe by way of call off from that

framework. Use of the GCloud IT framework meets the requirements of the Public Contracts regulations 2015 and the council's Procurement Rules.

The estimated value of the new Housing Repairs Diagnostic and Job Management IT Solution contract over [4] years is £685,000 revenue. The Corporate Director's delegated level for contracts funded from revenue is £2m (Procurement Rules paragraph 18.1.1) and therefore the award of the contract is within the Corporate Director's delegated authority via a key decision report.

The Corporate Director of Housing will need to be satisfied that a contract with OneServe represents overall value for money for the council.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

The main environmental impact of procuring a cloud-based IT solution is the electricity used in the servers hosting the system and the carbon emissions caused by its generation.

5.4 Resident Impact Assessment

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has not been completed because the preferred option of making a direct award to retain the existing IT solution results in no change.

6. Reasons for the recommendations:

- 6.1 The council has an existing contract with an IT supplier for the provision of an IT solution to support the effective and efficient delivery of repairs and maintenance works to the homes of Islington Council tenants and leaseholders. The existing contract is due to expire on 20 January 2021.

The council needs to complete the procurement as set out in this report in order to secure a new contract with the existing supplier and linked sub-contractor to continue its use of the existing IT solution in order to maintain service delivery of this critical council service.

7. Record of the decision:

- 7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by:

Corporate Director of Housing

Date:

Appendices

None

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