

Title of Report	Modern Tools for Housing programme transition support CONTRACT APPROVAL
Key Decision No.	FCR S177
CPIC Meeting Date	13 February 2023
Classification	Open
Ward(s) Affected	All
Cabinet Member	Mayor Philip Glanville
Key Decision	Yes REASON: Affects two or more wards; spending
Group Director	Ian Williams
Contract value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	£1.5 million (original contract value) £0.75 million (value of proposed extension)
Contract duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	1 year (original contract length) 6 months (proposed contract extension)

1. CABINET MEMBER'S INTRODUCTION

Providing our housing services teams with the software they need to provide high quality services for our residents is a critical priority - especially in the context of the impact the criminal cyberattack of October 2020 had on the previous legacy housing system, and the redoubling of the Council's efforts to tackle issues of damp and mould in our social housing stock. The Council must be ambitious in how we approach this and make the investments needed to achieve the very highest standards of service, enabled by modern technology and joined up use of data.

The recommendations in this report will enable the continued delivery of the most urgently needed functionality (as prioritised by the housing service), transition to in-house support and development for further work, and is aligned with the strategic review of technology for housing services that is in progress. I support the recommendation.

2. GROUP DIRECTOR'S INTRODUCTION

Housing and ICT Services have been delivering a multi-year programme of work to replace the end-of-life systems used by the Council's housing service. This followed extensive discovery and user research, sponsored by the Director of Housing, which led to the Council setting a strategy of replacing the legacy system used for management of the Council's social landlord functions with a suite of modern, user-centred, cloud-native applications developed in-house (with expert external support where needed).

The strategic goals for this programme are to:

- Modernise the technology used by housing services, replacing legacy proprietary software with modern, open source software developed in-house
- Enable more efficient and joined up service processes, simplifying the business processes used to support the Council's tenants and leaseholders
- Drive more resident self-service

The work covers all aspects of the Council's social landlord functions, including repairs, tenancy management, leaseholder services and incomes / finance.

This work was significantly impacted and made more urgent by the cyberattack of October 2020, which resulted in the legacy integrated housing system being unavailable and officers in Housing Services having to use a range of interim tools so that they could continue to provide the services that our residents need.

This programme has been delivered with a multi-disciplinary team of officers from Housing Services, the in-house ICT Services team and external digital agencies, procured through the Government's Digital Marketplace.

In late 2021 the Council procured and contracted an external agency (TPXImpact) to provide the skills and capacity needed to augment Hackney's in-house ICT personnel and to provide us with specialised skills which were not available from within the in-house ICT team. This contract came into effect in early 2022.

In spring 2022 the recently appointed Strategic Director of Housing commissioned a joint strategic review of the housing service's technology needs. This review is currently underway and expected to complete within the current financial year.

While the review has been in progress, arrangements have been made to accelerate the delivery of the most critical functionality prioritised by product owners in the housing service and manage a transition to the Council's in-house team for support and delivery of further work.

This contract variation is required to:

- Provide the specialist skills and resources needed to deliver prioritised work, this includes software development, user research, service design and product management skills.
- Enable the successful transition to in-house support and further delivery for the products that have been developed.

- Provide product management leadership for the work through the transition phase and while the restructure of the Council's ICT Service is completed (which is planned to provide in-house product management roles).

3. RECOMMENDATION(S)

That Cabinet Procurement & Insourcing Committee approves a contract variation, to extend by a maximum period of six (6) months, the current contract for Modern Tools for Housing software development services.

4. RELATED DECISIONS

The original contract with TPXImpact for the current phase of work was procured through the Digital Outcomes and Specialists 4 (DOS4) Framework of the Government Digital Marketplace and approved by HPB on 17 March 2022.

5. REASONS FOR DECISION & OPTIONS APPRAISAL

- 5.1. The proposed contract variation is essential to enable continued delivery of essential software tools for housing services and ensuring an effective transition to in-house delivery and support.
- 5.2. The cyberattack of October 2020 has impacted significantly on the Modern Tools for Housing programme because that meant that the previous housing system (Universal Housing) became unavailable and it was therefore no longer possible to deliver a phased migration from the old system to new software. As a result, teams in housing services have been required to use interim solutions to deliver services while new software is delivered.
- 5.3. Following the decision to commission a strategic review of the housing service's technology needs it was necessary to identify the best value approach for continued delivery of current work in progress while the review takes place and ongoing direction is agreed. Variation of the current contract is recommended on the grounds that:
 - The work required covers critical functionality required by the housing service.
 - The variation includes transition to the in-house ICT team for support and further development of essential functionality pending the completion of the strategic review. No further variation of this contract will be required.
 - Variation of the current contract removes the requirement for transition / handover, so the pace of delivery is uninterrupted while the strategic review is in progress.

- 5.4. Variation of this contract is permitted under Regulation 72 which states:

72(1)(b) for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor—

- (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, and*

(ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority,

provided that any increase in price does not exceed 50% of the value of the original contract

5.5. The proposed variation is 50% of the original contract value. Changing contractor is not considered viable for the reasons set out in 5.3 (above). Specifically, a change of contractor would:

- Delay the delivery of essential functionality required by Housing services, whose legacy system was rendered unavailable by the criminal cyberattack of October 2020.
- Incur additional costs and significant inconvenience through requiring transition to a new contractor and delaying the transition to the in-house support and development model.
- Incur duplication of costs through otherwise unnecessary handover prior to the transition to in-house support and development.

No further variation will be required once the transition to the in-house model is complete.

5.6. The Director of Climate Homes and Economy Finance has confirmed that this additional expenditure can be funded from within their existing budgets and no other additional funding will be required.

6. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

6.1. In October 2022, when the original contract was approaching its end, the option of conducting a new procurement exercise was considered. This was rejected on the grounds that:

- The strategic review was in progress, so it was not possible to define a clear specification and requirements for a new procurement at that time.
- Transition to a new provider would have required onboarding and handover that would have delayed delivery of urgently needed requirements.

6.2. The option of making a transition to an exclusively in-house model was also considered. This was agreed as the longer term direction pending completion of the strategic review. There were, however, urgent requirements that need to be delivered which exceed the current in-house capacity and transition and handover is also required to ensure a sustainable change in approach.

6.3. The ICT team has worked with colleagues in Corporate Procurement and Legal Services to assess the options. As the strategic review was ongoing at that point, and the outcome of that review was expected within a short timescale, it was considered to be prudent to continue with the existing TPXImpact contract under a variation - as set out in this report.

7. PROJECT PROGRESS

As noted in section 5, a strategic review of the housing service's technology needs is currently in progress. The proposed variation is in the context of that and will enable delivery of priority functionality and transition to the in-house ICT team for support and further development pending the conclusion of the strategic review.

As noted in 5.5 above, the Director of Climate Homes and Economy Finance has confirmed that this additional expenditure can be funded from within their existing budgets and no other additional funding will be required.

8. SAVINGS

The proposed variation will enable transition to the in-house ICT team for support and further development pending the conclusion of the strategic review. There are no cashable savings arising from this variation.

9. SUSTAINABILITY ISSUES AND OPPORTUNITIES, SOCIAL VALUE BENEFITS

This report is proposing a variation to the original contract approved by HPB on 17 March 2022. Sustainability considerations are as set out in the original contract award.

Procuring Green

Computing has an environmental impact because of the energy consumption of the hardware and datacentre cooling requirements. The Council's move to use of cloud computing allows us to reduce our carbon footprint and benefit from the investments that cloud providers are making in sustainable operations (the housing software uses Amazon Web Services, [who are committed to using 100% renewable energy by 2025](#)).

Procuring for a Better Society

Use of the digital marketplace provides an opportunity to bid from local SMEs based on marketplace. Skills and expertise provided as part of the contract are being used to upskill Hackney staff, including digital apprentices, through working together as a multi-disciplinary team. Hackney's sector leading digital apprenticeship programme has seen c 50 people develop their digital careers with the Council, many of whom are now in permanent associate and mid-level positions.

Procuring Fair Delivery

We include a diversity criteria in our tender - we ask that suppliers provide evidence of how they will be able to provide teams that reflect the diversity of the borough.

10. TENDER EVALUATION

N/A - this report is proposing a variation to the original contract approved by HPB on 17 March 2022.

11. CONTRACT MANAGEMENT ARRANGEMENTS

Delivery of the work required under the proposed contract variation will be managed by the joint team from Housing services and ICT services, reporting to the Housing Steering Group (chaired by the Strategic Director, Housing).

12. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 12.1 The recommendation to extend this contract by six months is estimated to cost £750K. The extension to the contract is essential for the continued delivery of essential software tools for housing services and ensuring an effective transition to an effective housing management system. The budget for the additional cost of the extension has been included in the approved Housing capital budgets.

VAT Implications on Land & Property Transactions

Not applicable

13. COMMENTS OF THE DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL SERVICES

- 13.1 With respect to proposed variations of contract, paragraph 4.3 of Contract Standing Orders states that "the total cost of a contract for this purpose is always the cost of the original contract plus the cumulative cost of all previous and proposed variations". Paragraph 4.8 of Contract Standing Orders states that "..... If the total cost of the contract, inclusive of the proposed variation is under £2m, approval must be sought from the Hackney Procurement Board or Cabinet Procurement and Insourcing Committee, if the total cost of the contract is above £2m". The total cost of the contract in this Report, inclusive of the proposed variation sought, is over £2m and therefore this Report is being submitted to Cabinet Procurement and Insourcing Committee for approval.
- 13.2 Regulation 72(1)(b) of the Public Contracts Regulations 2015 allows for a modification of a contract for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, and (ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority. This is subject to the provision that any increase in price does not exceed 50% of the value of the original contract. The provisions of (i) and (ii) above would appear to apply in this instance and the proposed value of the variation does not exceed 50% of the initial contract value. Therefore this proposed variation is allowed under such Regulation.

14. COMMENTS OF THE PROCUREMENT CATEGORY LEAD

At the beginning of 2022, the ICT department went out on a mini competition using the Government's Digital Outcomes and Specialists (DOS) Framework to obtain the Most Economically Advantageous proposition for this service. TPXImpact obtained 97% in quality and the best in price therefore was awarded the contract.

An extension provision was embedded in the original business case and as explained at the beginning of this report, extra time and funds is required for the completion of the service.

From procurement perspective, as this was competitively procured via mini competition from a compliant Framework and the supplier has demonstrated best value for money, there is no objection to this extension as the report provides reasons for extension under Public Contracts Regulations is likely to be under the following provision in Regulation 72 (1-b).

APPENDICES

N/A.

EXEMPT

N/A.

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

None.

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