**Haringey** Council

| Report for: | Cabinet – 12 November 2013 | Item Number: | |
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| Title: | Award of Contract for Housing IT System (OHMS) |
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| Report Authorised by: | J. Parker 1/11/13 *for* Stuart Young, Assistant Chief Executive |
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| Lead Officer: | David Hatley, Head of Supplier Management, IT Services |
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| Ward(s) affected: | Report for Key/Non Key Decisions: |
|---|---|
| All | Key |

1. **Describe the issue under consideration**

1.1 The Council utilises the OHMS housing management system to manage its housing stock including repairs and maintenance.

1.2 The proposal is for the council to enter into a three year contract to achieve value for money, secure the cost with the incumbent provider and to provide additional benefits as listed under paragraph 5.

1.3 This will enable the Council to fully develop its strategy following the Welfare Reforms for Housing and the Customer Services Transformation Program.

2. **Cabinet Member introduction**

2.1 The award of a contract as outlined in this report will provide an improved service provision to the Council in the management of its housing stock. The additional services incorporated within the contract provide value for money and benefits in terms of business continuity.

2.2 I support the recommendations in this report.

### 3. Recommendations

3.1 That Cabinet award a contract for a period of three years to Northgate Information Solutions Limited for the provision of a managed service, including support and maintenance, of the OHMS Housing Management system.

3.2 The cost will be £295,000 per annum representing a total of £885,000 for the life of the contract.

### 4. Alternative options considered

4.1 **Do nothing.** The current cost of the contract from Northgate is £291,000 per annum, representing a total cost of £873,000 over the equivalent three year period. This charge has reduced significantly over the last 2 years following negotiation saving £210k over the period.

4.2 The existing contract attracts inflation which is currently running at 3.1% for Retail Price Increase at July 2013. In addition, the Council will need to replace the ageing server at a cost of approximately £70-80,000.

4.3 **Undertake a competitive tender.** The OHMS system is proprietary software for Northgate and as such it is not possible to tender for the support and maintenance of that particular system. Any tender would require that the complete system is tendered and replaced if necessary.

4.4 In view of the planned Welfare Reforms, which are expected to run from 2013/14 to 2017, and the Council's Customer Services Transformation Program any procurement now may be premature.

4.5 To undertake a tender requires a major investment in resource to specify the Council's requirements and to run and evaluate the tender. In changing a system, the Council would need to procure new licenses, new hardware, train all staff and run a parallel system to ensure confidence in migration. Anticipated switching costs could potentially be significant.

### 5. Background information

5.1 The Council uses an IT system to manage its housing stock including repairs and maintenance. This system is used primarily by Homes for Haringey but also by Community Housing Services with a total of 630 users.

5.2 The system is known as OHMS and is supplied by Northgate Information Solutions Limited, who bought the business from the developers of the system,
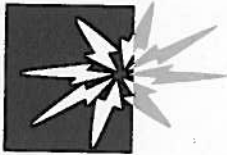
Anite. The system includes additional services for scheduling and managing repairs utilising software called Task and Opti-Time.

5.3 The OHMS software is proprietary to Northgate which means that it can only be supported, developed and maintained by them.

5.4 OHMS has been in place at the Council for many years and has been developed and bespoked to meet the needs of both the Council and Homes for Haringey. Northgate have confirmed to the market that they will continue to support and develop OHMS and they have no plans to stop promoting it.

5.5 The system is hosted in the Haringey data centre on a server that is old and beyond the time of its expected use. The server will need replacing in the short term at a potential cost of £70-80,000 as it will no longer be possible to upgrade the software due to the age of the server.

5.6 A Housing IT Strategy (2011-2016) was developed by Community Housing Services which included a soft market test of alternative system suppliers. This identified potential savings in the annual support and maintenance charges but a detailed business case found that the cost of change, including the implementation cost, meant that the return on investment was unsatisfactory especially when considered against Welfare Reforms and Customer Services Transformation Program.

5.7 The Welfare Reforms are expected to have a major impact on the way the Council manages its housing stock and the subsequent system requirements. To seek to change the system at this point in time would add additional cost and resource to the Council when the outcomes are not yet known. In addition, the Council is developing a Customer Services Transformation Strategy that will impact on this service but to what extent is not yet known.

5.8 On this basis Northgate were asked to provide a proposal for a 3 year contract which would provide value for money and give security to the Council. Their proposal agrees to fix the price for 3 years with the following benefits:

- No inflationary increases for the 3 year period. (RPI currently running at 3.1%). This represents a saving of approximately £27,000 over the period.
- The provision of a new server at no additional cost. (Saving approximately £70,000).
- Hosting of the system in a Northgate data centre.
- Provision of a new Housing Options module in OHMS.
- Disaster recovery capability via triangulated data centres.
- Service reporting and service reviews.

5.9 The annual cost of the managed service for OHMS will be £295,000 which over the life of the contract will equate to £885,000.
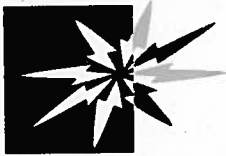
## 6. Comments of the Chief Finance Officer and financial implications

6.1 The Chief Finance Officer confirms that the budget to meet the costs of the current contract exist within the IT services revenue budget. The recommendation proposes to award the contract at £4k pa higher than the existing figure; the service have confirmed that the shortfall will be met from elsewhere within the IT budget.

6.2 Given the likely changes required in the future, this recommendation should provide stability in cost and service provision in the short to medium term and will enable the Council to avoid potentially abortive costs and make a more comprehensive investment decision at a more appropriate time.

## 7. Head of Legal Services and legal implications

7.1 The services to which this report relates are priority services and therefore subject to the Public Contracts Regulations 2006 (the Regulations) which includes European tendering requirements.

7.2 One of the approved tender processes set out in the Regulations is the negotiated procedure. Under Regulation 14 (1) (a) (iii) of the Regulations, a Contracting Authority may use the negotiated procedure without publication of a notice where for technical or artistic reasons, the contract may only be awarded to a particular economic operator.

7.3 Contract Standing Orders also allow the submission of a bid from an individual contractor where the services relate to a proprietary product and for technical or artistic reasons, the contract may only be awarded to a particular contractor.

7.4 The Council's IT Services department has followed this approach and invited the existing contractor, Northgate Information Solutions Ltd to bid.

7.5 Because of the value of the contract, it may only be awarded by Cabinet in accordance with CSO 9.07.1 (d).

7.6 The contract to which this report relates is a Key Decision, and IT Services has confirmed that it has been included in the Forward Plan in accordance with CSO 3.01 (d).

7.7 The Head of Legal Services confirms that there are no reasons preventing Members from approving the recommendations in this report.

**Haringey** Council
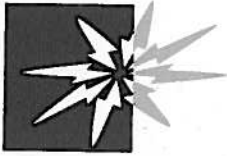
## 8. Equalities and Community Cohesion Comments

8.1 There are no equality implications in the procurement.

## 9. Head of Procurement Comments

9.1 The Council has previously invested time and resources in jointly developing the OHMS system and we therefore have a unique insight and strong assurances of it's suitability and value towards delivering business critical services to residents within the Borough.

9.2 A soft market analysis demonstrated insufficient benefit to switching software systems and especially at a time of Welfare Reforms which are fundamental and critical to Council services.

9.3 Whilst the annual cost of support will increase by £4k, the Council gains significantly more value from a server upgrade (thus avoiding £70k cost), new modules and no inflationary increases over the life of the contract.

9.4 It is therefore not in the Councils overall best interests to re-tender this system and the Head of Procurement supports the recommendations for reasons explained within this report.

## 10. Policy Implication

10.1 Priority 5. Provide a cleaner, greener environment.
Priority 10. Ensure the whole council works in a customer focussed way.
Priority 11. Get the basics right for everyone.
Priority 12. Strive for excellent value for money.

## 11. Reasons for Decision

11.1 The recommendations in this report will provide value for money for the Council in providing new hardware and a disaster recovery service within the contract cost. The exercise has enabled the Council to update terms and conditions to reflect current approaches and will ensure services are provided for a further 3 years.

## 12. Use of Appendices

12.1 None

## 13. Local Government (Access to Information) Act 1985