

East Kent Housing - Cost of ICT System

Cabinet	18 June 2020
Report Author	Tim Willis, Deputy Chief Executive & S151 Officer
Portfolio Holder	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing, Planning & Safer Neighbourhoods
Status	For Decision
Classification:	Unrestricted
Key Decision	Budget and Policy Framework
Reasons for Key	Expenditure not in budget and exceeding virement rules
Previously considered by	Cabinet 17 October 2019 Cabinet 17 February 2020
Ward:	All

Executive Summary:

This report gives the background as to the transition of the East Kent Housing (EKH) Northgate IT system and the approach adopted for this system when the Housing service returns to be delivered by the Council. The report sets out the issues with the system, the approach being adopted and authorisation to identify sums to progress the project.

Cabinet is asked to agree the recommendations set out below because:

- This is a significant element of transitioning the housing service to Council operation and as such requires additional funds to be made available to ensure this happens.
- The timescales involved are such that this provides the most secure means of transferring the system and provides a basis for providing a stable service upon transition.

Recommendation(s):

Cabinet is asked to:

1. Approve a 2020-21 only supplementary HRA revenue budget of £187,000 for the transition of the single housing management system to TDC in-house management, to be funded from HRA balances;
2. Approve a recurring 2020-21 supplementary HRA revenue budget of £82,000 for the on-going maintenance and support of the housing management system, to be funded from HRA balances in 2020-21 and incorporated into the budget setting process for 2021-22 and beyond.

CORPORATE IMPLICATIONS									
Financial and Value for Money	<p>Some of the one-off costs of the transition may be capitalised, but at this stage, Cabinet is being requested to approve the sums required from revenue sources. The accounting treatment will be reported separately in a budget monitoring report, along with any other ongoing costs related to bringing EKH in-house.</p> <p>The costs are substantial, but reflect the fact that the system used by EKH is significantly out of date and it also needs to be moved to the cloud and separated into four separate systems, for the four separate districts.</p> <p>The ongoing cost of £82,000 per annum will be partly funded by the existing budget of £53,000, currently paid as part of the EKH management fee.</p>								
Legal	There are no specific legal implications in relation to this report.								
Corporate	The housing system is critical to the effective operation of the housing service. The risk of inadequately resourcing the system is that the housing service will be impeded in delivering a good service to tenants and leaseholders.								
Equality Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1" style="width: 100%;"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td style="width: 50px;"></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td></td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
Please indicate which aim is relevant to the report.									
Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,									
Advance equality of opportunity between people who share a protected characteristic and people who do not share it									
Foster good relations between people who share a protected characteristic and people who do not share it.									

CORPORATE PRIORITIES (tick those relevant) ✓	
Growth	
Environment	
Communities	✓

1.0 Introduction and Background

- 1.1 At its meeting of 17 October 2019 Cabinet agreed to bring the management of the housing service into the council.
- 1.2 Further to that decision, a significant amount of “discovery” work has been undertaken across a number of areas by all four councils to determine the detailed programme which will need to be put into place to ensure a robust and stable transfer of the housing service back into the Council. One of the more complex areas which has been investigated has been the current IT “single system” which is used by EKH and is an integrated Northgate system.
- 1.3 In conducting this work, it has become clear that the single housing management system was implemented with the intention it would be owned and used by a single organisation i.e. EKH, and not four separate councils, although it was a requirement that any data in the system could be separated out if any partner decided to leave the joint housing management arrangement. In practice however, as EKH worked across the council boundaries, it is not clear whether the segregation of data is as clear cut as it may have been and issues may be uncovered as part of a migration that needs some data to be realigned.
- 1.4 There has been some considerable development work by Northgate and third party contractors to bespoke parts of the system and the way it operates to suit some of the individual council requirements. As a result, what should have been a single system is trying to be four separate systems. This is increasing the cost of deploying the various parts of the solution and the overheads of operating the system as any changes have to be tested against all council requirements. It has also delayed the deployment of some of the modules of the housing management system for all councils that were originally planned.

2.0 The Current Situation

- 2.1 The current arrangements for support of the system are complex, EKH administers the system on a day to day basis, which in turn is hosted on servers and other hardware provided by East Kent Services (EKS) ICT. The servers that the system runs on are due for replacement and the Northgate software is out of support. This poses a significant security and operational risk. Should a fault occur, we would have limited support from the supplier. In the event of a total service failure, there is a risk of data loss and recovery of the service would be both time consuming and complex. Upgrading the system is more difficult as it stands than upgrading a system supporting a single council due to the degree of bespoke work that has been carried out over the last few years.
- 2.2 There are some modules of the system that were originally planned to be part of the single system project that are still waiting for deployment. For TDC this is mainly the document management system. As a result, some information that could be contained within the single housing management system is still held in a number of disparate systems which reduces the efficiency, both operationally and in terms of forward works planning.

3.0 Options that have been considered

3.1 Discussions have taken place between Digital & ICT representatives of the four councils and Northgate regarding the best way to bring the system back into a state of support that then gives each council the opportunity to decide by itself the best way to take its housing management system forward in the future. A number of options have been considered:

3.1.1 **Option 1 (chosen option)** – Collective migration to a cloud hosted system. The option that has been chosen that has the greatest chance of success given the timescale and resources is for a staged approach:

- The current system would be migrated to the Northgate cloud hosted environment as it is. A 'lift and shift' of the single system.
- The database would then be split into four separate systems by the software supplier, one for each council.
- Then each would be brought up to the latest version of software.

This approach offers better management of available project resources, the ability to share some costs and it is easier to programme the timing of the stages as many early activities could be done collectively. The intention would be to have these three stages completed by March 2021. After that, each council would effectively have its own housing management system in its own control and would have the ability to make future decisions on the long term plans for the system, and its ongoing development and associated costs without being tied into any requirements of the other councils.

3.1.2 Option 2 – Build four separate cloud hosted versions of the system from the outset. This option would require Northgate to set up a new cloud hosted management system for each council and carry out four separate migrations. Each council would bear its own costs. Given the timescales it is unlikely that Northgate or council system staff would have the resources to support four separate projects running concurrently and it would not be possible to complete all the work until well into 2021. As such, we would have to agree the order in which councils are migrated and maintain the existing system for a longer period of time. This option was therefore discounted because it would be more time consuming and more costly than the chosen option.

3.1.3 Option 3 – Upgrade as is. This option would require EKS ICT to replace the hardware currently hosted in their two data centres and for Northgate to implement a new version of the software. This would require an upfront one-off investment and as potentially each council may wish to make its own arrangements in the future, they may not realise the benefit of that investment in the hardware. This option is further complicated by the need to test and retest against the bespoke work that has been done in the Housing Single System. While one of the councils (Folkestone & Hythe) does not use the EKServices network this is additionally complex. All councils have expressed concerns about the resource and support available for this approach. This option was therefore discounted because of these constraints and that it is not in line with our digital principles, specifically our cloud first agenda.

3.1.4 Option 4 – Individual councils make alternative arrangements. A fourth option of councils seeking to procure and migrate to their own system was also discussed but was discarded early on. A housing management ICT system is complex as it mirrors

all the functions of a housing department. It is estimated that the procurement; deployment, configuration and migration of data from the existing system would take in the region of two years. All the investment in the current Northgate system (believed to be in the region of £2.5m) would be lost. There would be no opportunity to share costs, a procurement exercise itself has a cost, and as the market for such a system is very narrow, Northgate could still be the successful bidder. Option 1 would allow each council to make a decision on procuring a different system from April 2021 if it chose to do so, though there are still four years left on the current Northgate contract. This option was therefore discounted because of time constraints and complexity of the Single System. There is a consideration for the technical expertise required to unpick the Single System, this favours the current service provider as they know our system and have the expertise to segregate our data.

4.0 Next Steps

4.1 Consideration of the above by officers has led to the conclusion that Option 1, a collective migration to the cloud, is the chosen solution. This would be staged with outline timings as follows:

Stage 1

- All councils agree the approach and funding and instruct Northgate to begin the process of migrating the system by the end of June.
- The current system is collectively migrated to the cloud and tested by November/ December 2020.

Stage 2

- Northgate prepares the servers for four separate systems and establishes connections to individual authorities by the end of September for testing.
- The data is split into individual council systems in January and February 2021.

Stage 3

- Each of the four systems is upgraded to the latest version of the software in March 2021, at which point each authority will have its own system under its own control.

This would provide the most timely route to updating the system so it is properly supported and in line with optimum timescales to support the transition back in house.

4.2 The intention would be to ensure a stable system is transferred back to the Council at the earliest opportunity. It would allow the council to have control over the system and to be able to determine its own strategy for future system updates and modules. These may or may not be part of the Northgate suit of modules. It would also align the housing system to the council's overall strategy of being a "cloud" based organisation which has underpinned the digital transformation programme over the last two years.

4.3 The transition of the single system to each individual authority is neither easy nor cheap. Discussions have commenced as to the likely level of costs associated with this project and they are potentially significant and at present there is no budget within the HRA to fund these. The costs indicated below are designed to secure the most effective and safe transition of the system to the council. Once transferred, the council will have control over the effectiveness of the IT and also the strategy as to how to

develop the system into the future as well as how it is used to support the service. This is seen as essential in looking at the future running of the housing service

4.4 The indicative costs per council currently being discussed with the project are set out below:

- Move the single system to the cloud - £17,000 (one off).
- Split the system and move to an individual system for each authority (per council - £170,000 (one off).
- Ongoing revenue costs from January 2021 - £82,000 (per annum).

4.5 The commitment to move the system to the cloud offers the prospect of long-term savings, which include no servers to manage, timely upgrades and security patches, greater resilience and lower administrative and support costs. This will also avoid periodic capital expenditure on hardware upgrades. Moving to the cloud also supports the council's introduction of the "My Account" service which is due to be introduced as the next stage of digital transformation and will provide for much improved customer and tenant access to services in the future.

4.6 For Option 1 to progress, it will be necessary to obtain approval for the project from all parties, including Northgate. There will need to be a novation of the current agreement from EKH to the individual councils. The councils in conjunction with Northgate will need to determine at which stage this is best completed. Otherwise, a new agreement would require procurement of a new contract. In addition, the current agreement will need to be amended to cover the project specification including responsibilities of each party, delivery timetable, governance and costs.

Contact Officer:	Ivan Goldsmith, Systems Improvement Team Leader
Reporting to:	Tim Willis, Deputy Chief Executive & S151 Officer

Background Papers

Title	Details of where to access copy
East Kent Housing - Housing management: future options appraisal	https://democracy.thanet.gov.uk/documents/s66097/Cabinet%20report%20-%20EKH%20Options%20-%202019_10_20.doc.pdf
Housing management options appraisal: outcome of formal consultation	https://democracy.thanet.gov.uk/documents/s67757/Cabinet%20Report%2017_2_20.pdf

Corporate Consultation

Finance	Chris Blundell, Head of Financial & Procurement Services
Legal	Tim Howes, Director of Corporate Governance