

# Investment Analysis

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## 1. INTRODUCTION

- 1.1 This report supplements the Business Case for a new Housing Management System (HMS). It provides further detailed analysis of the anticipated costs and efficiencies that will be made by investing in a new HMS.

## 2. CAPITAL COSTS OF A NEW SYSTEM

- 2.1 The capital costs of a new system are set out below. £175k towards essential repairs systems improvements have already been approved in April 2019 as part of the project to move the repairs service in-house. We are now seeking additional finances of £260k to allow the Council to move forward with the procurement of a single integrated housing management system in its entirety.
- 2.2 The capital costs are estimates taken from supplier quotes during soft market testing.

Capital cost heading	Capital costs of a new system
Software estimated capital cost	£416,000
Hosting estimated capital cost	£4,000
Implementation expenses	£15,000
<b>Total project costs</b>	<b>£435,000</b>
Less finances already secured	-£175,000
<b>Remaining capital ask</b>	<b>£260,000</b>

- 2.3 Staff from within Tenant Services are experienced at managing system implementation projects. It is not anticipated that any additional staff resource will be required for the project.

## 3. IMPACT ON EXISTING HOUSING SYSTEMS REVENUE BUDGETS

- 3.1 Housing systems currently has an annual operational revenue budget ~£150,000 p.a. for costs associated with the support and maintenance of existing systems and small improvement projects. By replacing multiple systems with a new system, the complexities and risks of managing multiple support contracts with different suppliers is reduced.

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Budget area	Current/ average spend	Proposed spend
Spend on systems to be retired	£75,000	£0
Spend on systems to be retained	£45,000	£45,000
HMS Support costs	£0	£32,500
HMS other/ development costs	£0	£27,500
<b>TOTAL</b>	<b>£120,000</b>	<b>£105,000</b>

- 3.2 With the introduction of a new HMS, a number of existing housing systems will be retired and therefore the current annual spend on these systems will no longer be needed, saving £75,000 a year. The housing-related support costs for a new HMS are budgeted at £60,000 p.a., of which £32,500 is for annual supplier support and maintenance. It is therefore anticipated that a small annual housing IT budget saving of £15,000 p.a. will be achieved. HMS costs relating to repairs are budgeted for separately in the Property Care IT budget.
- 3.3 Costs are based on direct quotations from potential suppliers and include costs for hosted cloud-based supplier support, offering much better value for money than existing supplier arrangements

#### 4. EFFICIENCIES BREAKDOWN

- 4.1 Analysis shows that current systems create operational inefficiencies in Officer time to the value of £160k annually. Although resolving this would not result in a direct cash saving, having a more efficient and integrated system will allow Officers to deliver a better value for money service by focusing their time on providing customer service to the tenants and communities who need the most support.

Description of inefficiency	Time value (annual) <sup>1</sup>
Manual production and limited access to reporting. Report production needed as a work-around for lack of task management within systems.	£1,691
Manual production, storage and management of data for statutory returns and regular performance monitoring.	£3,153
System configuration and integration inefficiencies and complexities.	£3,089
Year end manual processes including inefficiencies.	£569
Inefficiencies relating to manual rekeying/scanning contact details, texts and emails and other tenant correspondence not produced or received directly into the system.	£10,912
Manual paper-based tenancy sign-ups and terminations. Information triple-handled.	£3,942
Inefficiencies of training and setting up staff on multiple different systems. Production of user guides and query resolving for multiple different systems.	£2,732

<sup>1</sup> Based on 2019/20 salary grades

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Lack of automation of some parts of weekly rent run. Manual processing of UC payments and manual reconciliations due to lack of integration with finance system.	£2,864
Manual processing of standard tenancy tasks such as changes in circumstances, updating contact details, permissions.	£8,371
Manual spreadsheet processing of ASB cases. Rekeying data.	£8,511
Manual processing and recording on spreadsheet of some rent tasks such as court orders, notice to expire. Inefficiencies in escalation policy set-up.	£8,511
Manual system housekeeping due to lack of audit trails resulting in workarounds	£5,475
Complaint handling inefficiencies – need to look up and review information across multiple systems. No workflow or case management.	£4,031
Inefficiencies of technically maintaining manual integrations between systems. Locally hosted systems require manual upgrades, patches and bug fixes.	£9,174
Lack of facilities to record surveys and tenant involvement leads to re-keying and maintaining separate spreadsheets	£3,760
Repairs inefficiencies as detailed in the report 'Item 11 - Appendix B - SDC It Time & Cost Study - Final Report' approved by Housing Committee in April 2019	£84,180
<b>Total annual value of inefficiencies in Officer time</b>	<b>£160,965</b>

- 4.2 Additionally, a new system will reduce the current need to contract temporary staff for tasks relating to data entry caused by current housing systems inefficiencies. This will result in a direct saving of £44.3k annually.

## 5. RETURN ON INVESTMENT CALCULATIONS

- 5.1 The many benefits to the Council, tenants and communities of a new HMS are the driving force behind the need for this project. The benefits of greatly improved customer service, reduced risk, and increased Officer efficiency do not necessarily translate into visible budget savings, but are a hugely important return on investment.
- 5.2 Although the project objectives are not focused on creating financial savings, it is anticipated that with the introduction of a new HMS there may be a small annual saving to the housing IT budget. This, combined with a resulting saving on temporary staff, is expected to create a direct annual saving for the Council of £59k.

Investment Payback Calculation:										
Year	1	2	3	4	5	6	7	8	9	10
Capital costs (£k)										
Software	-£210	-£210								
Implementation	-£7.5	-£7.5								
Potential savings (£k)										
Housing IT budget			£15	£15	£15	£15	£15	£15	£15	£15
Temporary staff			£44.4	£44.4	£44.4	£44.4	£44.4	£44.4	£44.4	£44.4

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Annual total	-£217.5	-£217.5	£59.4	£59.4	£59.4	£59.4	£59.4	£59.4	£59.4	£59.4
<b>Cumulative total</b>	-£217.5	-£435	-£375.6	-£316	-£257	-£197	-£138	-£78.8	-£19.4	£40

5.3 Comparing the timing of costs with the anticipated savings of a new system shows that financial return on investment is expected within 10 years of a new system becoming operational.