

Options Appraisal

CONTENTS

| | |
|--|---|
| 1. INTRODUCTION | 1 |
| 2. COST COMPARISON OF OPTIONS | 2 |
| 3. BASELINE: NO ADDITIONAL INVESTMENT IN IT | 3 |
| 4. OPTION 1: INVESTMENT IN A SINGLE INTEGRATED HOUSING IT SYSTEM | 3 |
| 5. OPTION 2: FURTHER INVESTMENT IN EXISTING SYSTEMS | 3 |
| 6. OTHER OPTIONS NOT SHORTLISTED | 4 |
| 7. CONCLUSION AND RECOMMENDATION | 4 |

1. INTRODUCTION

- 1.1 This report supplements the Business Case for a new Housing Management System (HMS). It provides further analysis of the different options that have been considered, including a financial comparison of shortlisted options.
- 1.2 Several options were initially explored, along with a ‘baseline option’ of no investment. Two main options were taken forward for further consideration:
- Baseline: No investment in current systems
 - Option 1: Invest in a single integrated Housing Management System
 - Option 2: Further investment in existing systems
- 1.3 It is clear from the issues and risks outlined with the current situation that investment of some form is needed. Out of all the options we considered, approval for the additional funds to invest in a new single housing system would achieve the maximum benefits and address the current issues, at a lower cost than further investment in existing housing systems.

2. COST COMPARISON OF OPTIONS

2.1 This table summarises the costs of each option. The first section of the table outlines the capital costs involved, the second section of the table outlines the ongoing annual supplier costs for providing support and maintenance for each option.

| Cost heading | BASELINE: No additional Investment in IT (assumes no investment in repairs systems) | Option 1: Investment in a single integrated Housing Management System | Option 3: Investment in existing systems |
|--|--|--|---|
| Capital Costs | | | |
| Software estimated capital costs | £0.00 | £416,000 | £271,385 |
| Hosting estimated capital costs | £0.00 | £4,000 | £44,000 |
| Implementation expenses | £0.00 | £15,000 | £240,180 |
| Total Project Costs | £0.00 | £435,000 | £555,565 |
| Less Finances Secured | £0.00 | -£175,000 | -£175,000 |
| Remaining Capital Ask | £0.00 | £260,000 | £380,565 |
| Annual Support & Maintenance Costs (cumulative, including 2% inflation) | | | |
| Year 1 supplier support costs within Housing IT budget | £45,500 | £32,500 | £118,000 |
| Comment | No known additional costs for existing systems have been calculated, however many modules are nearing end of life and will likely need replacing soon. | Optional Allocations module (+£48k) and the potential for wider use of system is not costed into this Business Case. This option is costed as a cloud-hosted HMS. | Includes costs for some but not all systems to be cloud-hosted. |

3. BASELINE: NO ADDITIONAL INVESTMENT IN IT

- 3.1 This baseline option has been considered for the purpose of providing a reference point for other options to be compared against. Continuing with current systems as they are with no further investment is not considered to be a sustainable situation. The baseline involves no capital costs but does not allow for essential work to take place to meet the gaps and inefficiencies that have been identified in the current provision (See Appendix 1 Gap Analysis Report). An opportunity to align housing and repairs requirements would be missed.
- 3.2 The baseline contains no known capital costs. However, it is highly likely that further unforeseen investment in the current systems will be required in future years in order to simply keep the systems functioning. Last year we have had suppliers request an additional £46,000¹ on top of our annual support costs to replace aging but essential modules of our current housing systems. These creeping additional costs may continue as other parts of our existing systems reach end-of-life. There are also likely to be significant future capital costs involved with any integration of existing systems with a corporate digital platform.

4. OPTION 1: INVESTMENT IN A SINGLE INTEGRATED HOUSING IT SYSTEM

- 4.1 This option involves procurement of a new system to meet requirements across the housing functions of the Council. The option addresses the issues and risks with the current situation and brings many benefits to the Council and to our tenants and communities. New technology will modernise and rationalise ways of working, automate many of the processes in place, and transform the ways we interact with housing customers. The current complex housing systems infrastructure will be rationalised and modernised, paving the way for easier future developments, integrations and cross-council working.
- 4.2 This option has been costed as a cloud-hosted solution. It is expected that annual support costs for a hosted housing management system would be slightly more than existing system supplier costs due to moving to a cloud-hosted service. This would significantly reduce the risks and issues with the management and maintenance of current systems, offering much better value for money than existing arrangements. The capital costs involved are expected to be significantly less than the costs needed to invest in our existing systems. Additionally, the ongoing support costs of a new system are far more cost effective than those involved with further investment in existing systems.
- 4.3 The functionality within a new HMS could be used by other non-housing Council services. For example, dynamic appointment scheduling and estate inspection functionality could potentially be used by Neighbourhoods Wardens. This may involve further cost.

5. OPTION 2: FURTHER INVESTMENT IN EXISTING SYSTEMS

- 5.1 This option enables us to make the most of the systems already in place, but it involves high upfront costs and resources, does not resolve all the current issues and is not sustainable in the

¹ Includes replacement systems for discontinued document management and tenant portals systems.

long-term. It is the highest cost capital and revenue option out of all of the solutions that have been considered. The investment in existing systems would involve the purchase of additional modules and systems, as well as the procurement of consultancy to re-configure some of the modules currently in use. It also involves moving to a cloud hosted service for some systems, to mitigate some of the risks with the current situation.

- 5.2 Some issues can be resolved through this option but it cannot solve all of the risks and inefficiencies that have been identified. There is also a risk that the additional modules procured would not be successfully implemented. This has happened several times in the past.
- 5.3 With this option there will continue to be several core housing management systems in use by the Council and we will be paying annual support and maintenance for all of the systems. The annual support and maintenance costs will significantly increase with the purchase of additional modules and due to the extra costs of moving to a cloud hosted service.

6. OTHER OPTIONS NOT SHORTLISTED

6.1 Partial investment in current systems, with additional SDC IT development

This involves less upfront investment in improvements to current systems, however it is still more expensive than procuring a replacement system when all other costs are taken into account. Over time the maintenance costs are likely to be significantly higher. Although this option would allow us to build a system to meet our exacting requirements, it relies heavily on there being sufficient IT resource and expertise in-house for developments. It is considered to be a potentially feasible option in terms of meeting business requirements but it is not cost effective or timely.

6.2 Shared services

Figures for this option have not been provided as no viable opportunity has arisen. The benefits of this option are potential savings in procurement and maintenance costs and the sharing of best practice between peers. There are many risks attached to it including political risks and the potential for management costs to spiral through unforeseen challenges in agreeing contracts and shared implementation plans with other organisations.

7. CONCLUSION AND RECOMMENDATION

- 7.1 In order to put Stroud District Council in the best possible position to deliver an integrated, modern and efficient housing service to tenants, it is recommended that additional investment is approved for a single housing management system (option1). The capital costs involved are expected to be significantly less than the costs needed to invest in our existing systems. Additionally, the ongoing support costs of a new system are far more cost effective than those involved with further investment in existing systems.

£175k for a new repairs system has already been agreed by Housing Committee in April 2019, as part of the project to insource our repairs service. This is now an opportune time to invest in our housing systems as a whole, in order to address the long-term underlying issues with our current systems and achieve the maximum benefits for the Council, our tenants and communities.