

Appendix 3

Requests for Release of Funding – Scheme Details

The following provides details of the two schemes for which approval to release central funding is now sought, as summarised in Table 2 of the main report.

- (i) Guildhall Great Hall Internal Health and Safety and Restoration – release of £1.715m to deliver the scheme
 - This project seeks to resolve the health and safety concerns regarding the medieval interior stonework and 1950s ceiling timberwork after a series of incidents of stone and timberwork coming away.
 - The ‘in principal’ funding from central City’s Cash resources was agreed as part of the 2020/21 capital bids on health and safety grounds.
 - The request is for the release of up to £1.715m (including risk) of which £284k is required to reach the next gateway, the remainder being subject to the approval of the Gateway 5 authority to start work report (delegated to Chief Officer).
- (ii) Oracle Property Manager (OPN) Replacement – £530k top-up requested to implement the scheme
 - This project is to secure a new, fit for purpose, property management system to take over from the current Oracle property management module which is nearing its end of life.
 - The ‘in principal’ funding of up to £1.15m was approved as part of the 2020/21 capital bids for the replacement of this business-critical system, to be met from the three funds on an apportioned basis.
 - Central funding drawdowns of £620k have previously been approved for the delivery of the scheme. However, the proposed implementation timeline, as advised by the selected supplier during the tender process, is some 33% more than previously expected (8 months instead of 6) which has resulted in an increase in costs - as resources will be needed for longer.
 - This current request is for a drawdown of a further £530k comprising a £268k budget increase and a costed risk provision of £262k to provide funding to cover the budgets approved at Gateway 5.
 - The allocation of central funding for this scheme was based on the essential need to replace the current system, which is both nearing end of life and not considered fit for purpose. Central funding was not conditional on being self-funding or generating a payback through revenue savings. However, there are considerable operational benefits from the proposed new system which may, once bedded in, provide an opportunity to realise efficiencies. Appendix 3(a) sets out the anticipated benefits of the system in more detail.

OPN Replacement Project Anticipated Benefits and Efficiencies

The current OPN property management system is effectively an end of life system and will not be supported in the next year or so. Consequently this project is to replace the old system with a new “off the shelf” system which is used by many large peer groups in the property world including The Crown Estate, NHS Property Services, Office of Government Property, Transport for London, Network Rail, LB Kensington & Chelsea, Nottingham City Council, Barclays, Columbia Threadneedle Investments and Aberdeen Standard.

Once the new system is up and running, we will see some savings and efficiencies and they should become apparent within two years. It should be noted that the new system has the ability to deal with IFRS 16, is compliant with FRS 102 and has the ISO 27001 – Information Security Accreditation.

The following benefits have been identified by Incendium the external consultant on this project.

Qualitative Benefits:

- Improved internal team processes driven by automated workflows, systemised activities, escalated approval processes, and standard forms and templates.
- Improved compliance delivered through standardised lease terms, automated notices, and workflow routines highlighting critical dates. These capabilities will drive a more consistent approach and a rigour around operational effectiveness.
- Transparency on team performance, and the ability to review workload, predict peaks and troughs in activity, and identify training requirements will support a high performing team environment and culture.
- Improved customer service through faster responses to client queries. The ability to easily access and share relevant data, provide digital access to lease and tenant documentation for example insurance certificates, service charges info etc... will enhance the customer experience. The ability for other functions to utilise a tenant portal (e.g. supporting FM to communicate to tenants) will also provide an enhanced client experience.
- A systemised approach to calculating Service Charges will ensure that the teams' effort will focus more on reporting, evaluation and managing the process rather the manual manipulation of data.
- Removal of data errors introduced through manual extracts, hand offs and input of data into Excel templates.
- Improved transparency, faster and better decision making through improved reporting of portfolio performance and financial performance.
- A new Property Management System (PMS) can act as a driver for change and transformation, providing professionals with a tool to improve process, reporting, decision making and team effectiveness.

- A PMS can also support a more remote working model that is expected in a post COVID working environment.

Quantitative Benefits:

- Savings in resource effort by removing many of manual tasks such as data extraction, manipulation, maintenance of macros, and auditing for errors. It would be expected that the resource savings made could be redeployed to leverage the value that a Tier 1 PMS system can offer the City Corporation, such as improved reporting, forecasting, scenario modelling, and supporting the team in 'adding value' to the portfolio.
- Saving in resource effort by utilising the automation and systemisation that a PMS solution will offer, in areas such as service charges calculations, issuing of notices, statements and year end certificates.
- Cash flow improvements through the improvement in collection of service charges and rents by being able to deal with queries quickly and efficiently. The ability for professionals to be able to share information both internally and with tenants will support this output.
- Improved portfolio yields and investment value through the faster letting of properties, whether from void or lease renewals. This can be achieved through improved management information being provided automatically to monitor cases, better understanding of activities being undertaken by third parties, and more efficient processes and approvals for leasing properties. These activities will improve portfolio performance and cash balances by reducing void periods and unrecoverable service charge costs.

Return on Investment

The above qualitative and quantitative benefits demonstrate that a number of significant improvements in teams and portfolio performance can be made. A minor % uplift on the effective management of such a large value portfolio will generate significant returns on investment over a number of years. The cost of implementation identified in Appendix 3 and ongoing licences/ resources, which are expected to cost local risk budgets up to some £1m over a 4-year period, to support a portfolio worth £4.1bn will undoubtedly generate a positive Return On Investment.