

Report of the Interim Deputy Chief Executive

CAPITAL BUDGET VARIATIONS 2018/191. Purpose of report

To seek approval for a number of capital budget variations in respect of the 2018/19 financial year.

2. Background

Examination of the approved capital programme for 2018/19 and confirmation of external funding from the Better Care Fund, along with the identification of certain initiatives that are considered to be short-term priorities and the review of existing schemes, has resulted in a number of proposed amendments to the 2018/19 capital programme. Further details are set out in appendix 1 with a financial summary shown in appendix 2.

The Finance and Resources Committee on 26 April 2018 received details of the intelligent scanning module for which there is provision within the £40,000 allocated in the 2018/19 capital programme for E-Facilities initiatives. The Committee was asked to grant an exemption from Financial Regulations to allow the purchase of the module from Civica without obtaining 3 quotes on the grounds of value for money.

Further correspondence with Civica has indicated that the cost of the intelligent scanning module is significantly less than had been anticipated and there is no requirement for the exemption as originally envisaged. The scheme is therefore proceeding as intended. Further details are set out in section b of appendix 1.

Recommendation

The Committee is asked to RESOLVE that the capital budget variations for 2018/19 as set out and in appendices 1 and 2 be approved.

Background papers

Nil

APPENDIX 1**1. Disabled Facilities Grants**

The 2018/19 capital programme approved at Finance and Resources Committee on 15 February 2018 includes £652,750 for Disabled Facilities Grants (DFGs). These are for the provision of adaptations to the homes of those disabled persons who qualify for the grant. Funding for these is provided initially by the Ministry for Communities, Housing and Local Government (MHCLG) to County Councils who, in two tier areas, then pass this down to District Councils through the Better Care Fund.

MHCLG announced on 16 May 2018 that Broxtowe Borough Council are to receive a DFG allocation for 2018/19 of £803,661 to meet its statutory duty to provide home adaptations as set out above. The Council is permitted to spend part of this on wider social care capital projects should it wish to do so.

As in 2017/18, Broxtowe Borough Council's DFG allocation through the Better Care Fund includes £56,373 for a Handy Person Adaptation Service (HPAS) that is operated on a countywide basis by Nottinghamshire County Council (NCC). This funding is retained by NCC and reflected in their accounts as opposed to those of the Borough Council although the resulting expenditure is incurred in the Broxtowe area. There was an £11,250 underspend by NCC on their 2017/18 HPAS allocation and this will be returned to the Borough Council to spend on DFGs in 2018/19.

The 2018/19 capital budget for DFG expenditure incurred by the Borough Council can now be revised from £652,750 to £758,550 accordingly.

2. Housing Management System Upgrade

A budget of £300,000 was established in the 2015/16 capital programme for a Housing System and Document Management System (DMS) replacement within the Housing Department to be funded by a revenue contribution from the Housing Revenue Account. This budget is now being directed solely towards the upgrade of the Capita Open Housing Management System.

A update on progress was provided to the Housing Committee on 6 June 2018. Expenditure of £9,350 was incurred in 2015/16 with further expenditure of £101,250 and £35,950 incurred in 2016/17 and 2017/18 respectively. It is proposed in a separate report on today's agenda that the remaining budget of £153,450 for this scheme is carried forward for inclusion in the 2018/19 capital programme.

In order to ensure that progress on the upgrade of the Capita Open Housing Management System can be accelerated and the project brought to a satisfactory conclusion, it is proposed that an additional £60,000 be allocated to the scheme for the provision of further project management support and the software enhancements required to enable the collection of rent by direct debt. This additional cost would, as with the other capital costs for this scheme, be met from a revenue contribution from the Housing Revenue Account.

The on-going annual maintenance costs of the upgrade system are estimated to be approximately £23,200 per annum. These will be met from the ICT software maintenance budget initially and then recharged along with other relevant software maintenance costs to the Housing Revenue Account as appropriate.

3. Bramcote Leisure Centre – Replacement of Combined Heat and Power (CHP) Unit

The capital programme from 2018/19 to 2020/21 approved at Finance and Resources Committee on 15 February 2018 included an allocation of £140,000 in 2020/21 for the replacement of the combined heat and power (CHP) unit at Bramcote Leisure Centre. This was one of the schemes for which funding would be sought and brought forward for approval to proceed once a suitable source of funding had been identified.

The CHP unit generates heat which is used throughout the centre to heat the domestic hot water, provide space heating and heat the swimming pool. It also produces electricity which is used throughout the centre.

The present CHP unit has been in operation for almost 15 years and is operating in excess of its estimated useful life. The consequences of delaying the replacement of the unit until 2020/21 are considerable in terms of both the impact on the centre's net running costs and customer expectations should the present unit fail.

It is therefore proposed that the replacement of the CHP unit be brought forward to 2018/19 and approval be given to proceed with this scheme. A tender exercise would be undertaken and should the cost vary significantly from the figure of £140,000 then details will be brought to the Committee in due course.

It is proposed that the cost of the replacement CHP unit be met from prudential borrowing. The level of financial reserves available to the Council indicates that the borrowing can potentially be financed from internal sources (subject to cash flow considerations). As returns on investments are currently lower than external borrowing rates, internal borrowing will be more cost effective than external borrowing at this point in time.

4. Bramcote Leisure Centre – Property Condition Survey

As Bramcote Leisure Centre is the only such facility directly owned by the Council, it is considered appropriate to assess the present and expected future maintenance needs to ensure that the site continues to meet the needs of users, the Council and other stakeholders. This would then inform the production of a Leisure Facilities Strategy at a future date.

A detailed property condition survey is estimated to cost £30,000. Three surveyors will be contacted to determine likely costs and their availability and the one considered most appropriate will be engaged to conduct the survey.

Due to the lack of available capital receipts to meet the cost and the reluctance to add further to the Council's existing borrowing levels, it is proposed that the cost be met from the Council's General Fund reserves. These amounted to over £6.050m at 31 March 2018.

5. Legal Case Management System

Most local authorities have a legal case management system that allows them to automate a significant amount of work and generate efficiencies as a result. It is proposed to implement such a system at Broxtowe. It would remove a lot of the administrative burden current placed on the Legal Services team and enable them to focus on their legal work.

Research has been undertaken and a suitable alternative has been identified. The cost of the software modules and licenses would be £7,150 with an additional ten days of consultancy required as part of the implementation costing £8,000. There would also be a requirement for a Project Manager at an estimated cost of £5,000. In addition, there would also be on going license costs of £2,150 per annum.

There is presently no allowance in the 2018/19 capital programme for the anticipated cost of £20,150. This can be met from 2018/19 capital contingencies of which £38,000 is presently available (subject to other reports on this agenda).

The on-going license costs would be met from the ICT software maintenance revenue budget.

6. Intelligent Scanning

The Finance and Resources Committee on 26 April 2018 received details of the intelligent scanning module for which there is budget provision within the £40,000 in the 2018/19 capital programme for E-Facilities initiatives. Intelligent scanning allows for an invoice to be scanned (or a digital copy placed on the Council's server) and the visual data to be then converted into the appropriate entries in the creditors system. This is then reviewed by the user with any changes entered using an interface identical to that used to enter the invoice manually. It therefore offers the potential to significantly reduce the administrative burden of processing creditor invoices.

The Finance and Resources Committee were asked on 26 April 2018 to provide an exemption from the Council's Financial Regulations (Contracts) to allow the purchase of the intelligent scanning module from Civica without the requirement to obtain at least three quotations. Civica already provide the financial management software that underpins the Council's general ledger, creditor, debtor and purchasing functions. Whilst there are other providers of intelligent scanning in addition to Civica, the use of one of these alternative suppliers would necessitate changing the provider of the entire creditors software and require major changes to existing procedures. This is not considered to be an effective use of resources in the present circumstances.

An exemption from Financial Regulations (Section 5.3) was requested due to the anticipated cost of the intelligent scanning being between £35,720 and £40,220 (dependant on invoice volumes) and the requirement that at least three quotations should be obtained for goods, materials or services with a contract value between £25,000 and £60,000. The Finance and Resources Committee on 26 April 2018 agreed to defer making a decision on the financial exemption until further information had been provided.

Further correspondence with Civica has shown that the cost of the intelligent scanning module will not be as shown above but will be £18,800. The confusion arose due to the price that they were quoting including £17,000 for the next upgrade of the general ledger, creditor and debtor systems to web-based versions which will form part of a separate work stream and for which there is already provision within the budget for E-Facilities initiatives in the 2018/19 capital programme.

As the cost of the intelligent scanning module is below £25,000, there is no requirement to seek three quotations or to obtain the exemption that was being requested. However, the module should provide significant value for money through the operational benefits as set out above.

The implementation of the intelligent scanning module is therefore proceeding as intended. Upon completion of the required testing, it should be rolled out to departments later in the year. This will then align with the upgrade of the general ledger, creditor and debtor systems to web-based versions which should ensure that these systems are fully supported moving forwards.

APPENDIX 2

Summary of Proposed Changes to 2018/19 Capital Programme

<u>No</u>	<u>Scheme</u>	<u>Budget 2018/19 (£)</u>	<u>Revised Budget 2018/19 (£)</u>
1	Disabled Facilities Grants	652,750	758,550
2	Housing Management System Upgrade	153,450	213,450
3	BLC – Replacement Combined Heat and Power Unit	0	140,000
4	BLC – Property Condition Survey	0	30,000
5	Legal Case Management System	0	20,150
	TOTAL	806,200	1,162,150