



# NORWICH City Council

**Committee name:** Cabinet

**Committee date:** 13/09/2023

**Report title:** Update to capital programme

**Portfolio:** Councillor Kendrick, cabinet member for resources

**Report from:** Interim S151 Officer

**Wards:** All Wards

## OPEN PUBLIC ITEM

### Purpose

This report sets out revisions to the currently approved capital programme (2023 – 2028).

### Recommendation:

It is recommended that cabinet agrees to note and propose the changes set out below for approval by full Council:

- a) An additional £20,000 be added to the 2023/24 capital programme to meet the additional costs of implementing an audio system in the Mancroft Room.
- b) An additional £200,000 be added to the 2023/24 and 2024/25 capital programme to support phase 2 of the Enterprise Resource Planning system.
- c) The approved carry forwards from 2022/23 into the 2023/24 capital programmes be noted (Council approval not required)

### Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city. corporate priority.

## **Introduction and Background**

1. The 2023 – 2028 capital programme was approved as part of the council's budget setting process by Full Council in February 2023; since that time a small number of issues have arisen that require additional resources to be added to the capital programme and which therefore require full council approval.
2. In the provisional outturn report presented to Cabinet in June 2023 delegated approval was given for the Interim S151 (Chief Financial Officer) to approve requests for carry forward resources which were unspent in 2022/23 to be added to the 2023/24 programme. Discussions have now taken place and the impact of agreeing some carry forward requests are included for Cabinet and Council information.

## **Changes to the capital Programme**

### **Improvements to the Mancroft Room (Hybrid working technology).**

3. The updating of the audio equipment in the Mancroft Room, used to support effective communication and hybrid access during committee and other meetings, including webcasting, was identified as a 2022/23 capital project. A budget estimate of £40,000 was included in the programme. No project spend took place during 2022/23 whilst investigations were undertaken on a range of solutions consequently this budget has been approved for carry forward into 2023/24 and is included in the overall figures set out in the later section of this report.
4. A technical specification was drawn up and tenders invited from 2 contractors drawn from a specialist procurement framework. However, following receipt of quotations it is apparent that a further sum is necessary to implement the preferred solution. A further £20,000 is now required to be added to the capital programme to allow for the solution to be procured and to also include a contingency sum for any additional equipment that is required. Although this represents a 50% increase in costs, until the detailed work was carried out to specify the required improvements only a broad estimate could be identified.
5. The original programme was financed from capital receipts and it is proposed that this additional cost is also financed in that way. Once agreed a formal quote can be accepted, contracts completed and the scheme can still be implemented in the current financial year.

### **Enterprise Resource Planning (ERP) System (Phase 2 enhancements)**

6. In April 2022 Cabinet approved the replacement of the council's separate finance and HR systems with a new ERP system. The initial implementation was estimated to take around 18 – 24 months. A contract was signed in May 2022 and the implementation work commenced almost immediately.
7. The project has now reached the point where the first phase of implementation; replacing the council's existing systems with the model ERP system recommended by our implementation partner, is almost ready to go live. Further phases of work are being identified to ensure that the council maximises its investment in the system through process improvements and several enhancements have already been identified:

8. To ensure continuity of the internal team it is considered necessary to secure the funding for the project in advance of the phase 1 coming to a conclusion; in this way the lessons learnt from the initial project work can be carried seamlessly into later phases. At this point in time a broad estimate of £200,000 has been proposed to cover expenditure in both 2023/24 and 2024/25 and to cover both the implementation costs of our partner (Embridge Consulting) and the internal staff time which can be capitalised against the project and which will allow business as usual backfilling to be accommodated. It is proposed to finance these costs from retained capital receipts as borrowing for short term IT projects is not a cost-effective solution.
9. The initial areas identified for phase 2 are:
  - 9.1. The council currently uses an external provider to deliver its payroll services (Sefton Council) During 2023 and as part of the project work extensive work was carried out to determine whether a business case demonstrated value in bringing the payroll function back in house. Due to the low cost of the current provision several non-financial benefits or risks were highlighted as the main drivers for change. In particular the number of errors and corrections needed each month and the risk that the low cost was not sustainable.
  - 9.2. In the event the current provider has now advised that, as part of its own restructuring proposals, the service will not be offered after April 2024; although we have asked for an interim solution to be in place until July 2024 to allow the internal team and system changes to be made. Some provision was included in the original contract which foresaw this eventuality and so some costs included within the implementation partner's contract to facilitate the system aspects of moving to a full integrated payroll solution. However, the use of internal resources to project manage and implement the changes required to processes will need additional funding.
  - 9.3. The council currently has an E-invoicing solution provided by V1 which is integrated within our Advanced (finance system) contract. Unit 4 has an alternative preferred provider although V1 can also be used and is in place elsewhere alongside the Unit 4 system. The basic system does not include a full e-invoicing solution and discussions have been taking place to consider the best way forward so that the process efficiencies currently seen are not lost. One option is to negotiate the use of V1 in unit 4 as we still have a licence to use until June 2024. This would provide a quick solution and permit a full tender to take place with other suppliers subsequently.
  - 9.4. Advanced Financial Planning (FPA) is a separate module that would bring additional functionality to our MTFS processes which are currently undertaken largely on spreadsheets.
  - 9.5. In addition, a small number of improvements to the model solution have been deferred so as not to delay the go live date. The implementation of these non-critical changes may require some additional resources from our implementation partner but will mainly require the existing internal resources to continue to be available.

- 9.6. The additional requirement for this second phase of work has been estimated at £200,000 and this includes both the additional costs of implementing the system changes (implementation partner costs) as well as the resources necessary to work on the project (including backfilling costs) to ensure that the investment and improvement is delivered quickly and effectively.
- 9.7. Efficiency savings have already been included as part of previously agreed savings programmes to ensure that processes efficiency across all council services are realised and these changes will also facilitate those savings.
- 9.8. For all these improvements the system will be enhanced and therefore the costs can be capitalised. The original financing for the project was via capital receipts and it is proposed to continue this approach.
10. During August meetings were held between budget managers and the Interim Chief Finance Officer to understand their requests to carry forward unspent resources from 2022/23 into 2023/24. The need to deliver more closely against the capital programme budgets has been recognised for a while to ensure that outcomes are maximised, and treasury management activities are as effective as possible.
11. Following these discussions proposed carry forwards of £16.7m have been agreed as set out in Table 1 below and these will be added to the capital programme and reported in the Q2 budget management report. In addition, there was accelerated expenditure against budgets for programmes of work by Lion Homes following the receipt of additional grant; this over delivery in 2022/23 has been offset against the expenditure which was programmed in 2023/24. As a result the net carry forward agreed is £14.5m.

**Table 1 – Agreed carry forward requests**

<b>Proposed Carry forward</b>	<b>£'000</b>
GF - Community Services	3,404.75
GF - Corporate and Commercial Services	64.74
GF - Development and City Services	6,387.59
HRA - Development and City Services	1,309.74
HRA - Community Services	5,541.22
	16,708.03
<b>Reprofiling required due to accelerated 2022/23 expenditure</b>	
HRA - Development and City Services	-2,230.74
	-2,230.74
<b>Total Movement</b>	<b>14,477.29</b>

12. Further work to refine the profiling of 2023/24 expenditure including the agreed carry forward sums is being undertaken in the Autumn.

### **Consultation**

13. No additional consultation has been undertaken in respect of the report proposals.

## Implications

### Financial and resources

14. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.
15. The recommendations (A and B) to increase the capital programme by £220,000 is proposed to be met from unapplied capital receipts; the CFO confirms that there are sufficient available to meet this level of expenditure.
16. In relation to the projects carried forward from 2022/23 to 2023/24, the financing associated with the scheme expenditure, will also be carried forward with no overall changes required. Where carry forwards have not been agreed the associated financing will be available for alternative proposals.

### Legal

17. In relation to the proposed increases in resources; recommendations A and B, only the council has the power to vary the level of capital programme budgets, unless it relates to a scheme where external funding which fully matches any increase is available in which case the cabinet can approve the change to the programme.

### Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	There are no specific equality and diversity implications arising from this report. Where individual schemes in the capital programme have implications related to this statutory condition they will be considered as part of the appropriate scheme assessment.
Health, social and economic impact	There are no specific health, social and economic implications arising from this report. Where individual schemes in the capital programme have implications related to this statutory condition they will be considered as part of the appropriate scheme assessment.
Crime and disorder	There are no specific crime and disorder implications arising from this report. Where individual schemes in the capital programme have implications related to this statutory condition, including the role of the crime reduction partnership, they will be considered as part of the appropriate scheme assessment.

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Children and adults safeguarding	There are no specific safeguarding implications arising from this report. Where individual schemes in the capital programme have implications related to this statutory condition they will be considered as part of the appropriate scheme assessment.
Environmental impact	There are no specific environmental implications arising from this report. Where individual schemes in the capital programme have implications related to this statutory condition they will be considered as part of the appropriate scheme assessment.

### **Risk management**

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
Financial	Capital resources are not effectively used.	<p>Financing options for proposed expenditure takes account of the availability and suitability of the funding sources.</p> <p>Budget management identifies variances and informs appropriate management actions.</p>

### **Other options considered**

18. Consideration has been given to alternative ways of delivering schemes; for example reducing the scope of the Mancroft Room audio scheme to match the budget or not proceeding with further development of the ERP system. The proposals in this report reflect the view of officers on the appropriate levels of investment to achieve the intended outcomes from those schemes.

19. The requests for the carry forward of resources has considered the extent to which the council is already committed contractually to scheme expenditure or whether the scheme continues to meet the corporate plan objectives.

### **Reasons for the decision/recommendation**

20. Management of capital expenditure is dependent on approved resources being in place and reflected in the capital programme so that progress and variances can be measured effectively.

21. Only the council can approve increases to the capital programme. Delegated authority was given to the interim CFO to agree carry forward requests and so the level of carry forward agreed is included to ensure that the cabinet and council continue to have visibility on the level of capital resources being expended.

**Background papers: None**

**Appendices: None**

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