

Taunton Deane Borough Council

Executive – 11 November 2009

Revised Proposals for Financing the Purchase of the “Acolaid” Building Control Computer System

Report of the Building Control Manager

(This matter is the responsibility of Executive Councillor Coles)

1 Executive Summary

On 5 March 2008 the Executive approved a proposal to purchase the Idox Plantech “Acolaid” Building Control and Land Charges modules for reasons of improved utility and the ability to integrate with new service delivery models being introduced elsewhere in the organisation, in particular the “Acolaid” support system in Development Control. Subsequently, the decision has been made corporately to discontinue support to the existing Universe system in 2010, so the conversion to Acolaid has proved to be opportune.

Funds for the Building Control purchase were agreed as £21,000 from the Housing and Planning Delivery Grant and £30,000 from the Building Control Reserve Fund.

Adverse trading conditions in 2008/2009 have led to the depletion of the Building Control Reserve Fund. Some additional cost in the software purchase has also been found necessary. This report explores financing options to close the funding gap that currently exists.

2 Background

The Building Control Service divides into two areas – the statutory service (discharge of functions under the Building Act 1984) - and the commercially competitive fee-earning Building Regulations service.

The fee-earning service is the major service, accounting for 80% of the work of the Section. The service is required to be provided on a self-financing basis (The Building (Local Authority Charges) Regulations 1998), and to this end the Council annually approves a Scheme of Charges in respect of the service provided. The Regulations require that the service should achieve a break-even position over any 3-year rolling accounting period. Although there is no bar on returning a deficit, the assumption is that corrective measures will be put in place to recover deficits over time. Surpluses are ring-fenced to a Reserve Account and are available for purposes of service improvement or fee reduction.

Prior to the introduction of SAP, the Council's computerised support system was Universe, which had been developed in-house over many years to encompass a number of specialist applications, including Development Control, Building Control and Land Charges.

Difficulties and shortcomings in their existing computer support system led the Development Control Section to research the market and purchase and install the Idox Plantech "Acolaid" support system in 2007/2008. To similarly update and improve computer support systems in Building Control and Land Charges, and provide the essential interfaces between these services and Development Control, the decision was made in 2008 to purchase the appropriate Idox Plantech Acolaid Building Control and Land Charges modules. For Building Control, the purchase had the added advantage that this system was already in use in their partner service in Sedgemoor District Council, and they would be able to tap into the knowledge and experience gained there.

Subsequent to this decision, it became apparent that the Universe system would not be supported into the future, so the purchase of Acolaid was doubly propitious. Advantageous terms were struck with Idox Plantech for the purchase of these systems, riding on the back of the Development Control installation.

The cost of the Building Control module was estimated at £51,000 and funding agreed at £21,000 from the Housing and Planning Development Grant and £30,000 from the Building Control Reserve Fund, which at the time stood at £44,629. There was also a prior commitment of £7,000 from this Reserve to fund a consultancy report on forming a Building Control Partnership.

3 Changes Affecting Funding Proposals

Purchase of the basic Building Control module was agreed at £48,550, within the original estimate. It was later decided to take advantage of an "invest to save" opportunity by buying-in the Plantech On-line applications facility at £9,900, saving £3,000 annually in licence fees over the existing system. It was anticipated that the Building Control reserve would be adequate to meet the additional cost. At this time a small surplus was anticipated in 2008/2009.

The sudden and deep recession in the second half of 2008 led to a severe drop in Building Control income and a shortfall in income against budget of £40,000 at year end. Immediate action was taken to close the budget gap in 2009/2010, but without significantly affecting the 2008/2009 figures, resulting in a loss on the Building Control trading account. This was met from the accumulated reserve in line with normal practice. This meant that the balance in the reserve at 31 March 2009 was only £13,059 (cf. Appendix A).

The income situation continued to deteriorate in the early part of the current financial year. The position has now stabilised and income has begun to pick up. However, it is likely that the already depleted balance on the reserve

account will be needed to meet another deficit on the trading account. It will therefore be necessary to fund the costs of Acolaid in a different way.

4 Additional Costs

Some additional costs have been found to be necessary as the project has developed as follows:

	£
SAP integration to create link to Debtors' system	9,050
Linking to SAP WEB pages	5,400

5 Financial Summary

	£	£
Original Purchase Cost	48,550	
On-line applications facility (cf. 3 above)	9,900	
Additional installation costs (cf. 4 above)	14,450	
Total Cost	<hr/>	72,900
Less: HDP Grant		21,000
Funding Shortfall:		<hr/> 51,900

6 Possible Funding Options

6.1 Unspent Grants or Allocations

There are currently no unspent funds that could be utilised to assist in this purchase.

6.2 Use of Council Reserves

The shortfall could be funded in whole or in part from the Council's reserves by way of a supplementary estimate. However, to maintain reserves at the levels consistent with Council policy it would be necessary to make a compensating contribution in 2010/2011. Given the extremely tight budget constraints, this would prove to be very difficult to achieve and would inevitably mean a cut in service provision.

6.3 Capitalisation

It would be possible to capitalise the shortfall of £51,900, recovering the costs over the useful life of the Acolaid system (15 years) through contributions from the Building Control trading account.

7 Funding Proposal

It is proposed that the shortfall in funding should be met from prudential borrowing to be serviced by revenue contributions from the Building Control trading account over the life of the system. Assuming interest at 5% and the repayment of debt over 15 years would imply an annual contribution from the trading account of approximately £6,055.

A new structure for the combined Taunton Deane/Sedgemoor Building Control Service is planned from 1 April 2010 that will build on the shared Manager and shared Support Team Manager already in place. A slimmed-down supervisory team managing a strengthened surveyor corps will produce salary savings for Taunton Deane of £9,685 in 2010/2011 and 2011/2012, rising to £17,429 in 2012/2013. The share of these savings accruing immediately to the fee-earning service amounts to £7,748, which would be sufficient to meet the ongoing costs of servicing any borrowing to meet the funding shortfall.

8 Finance Comments

The financial information and funding proposals above and at Appendix 1 have been prepared by TDBC Accountancy Section and carry the endorsement and recommendation of the Council's Section 151 Officer.

9 Legal Comments

The Council has already entered into this Contract for the supply of these systems and they are already being installed therefore failure to provide this funding will result in the Council incurring a debt to IDOX. Alternatively if the work is stopped at this time then the Council will have a partly installed system it can do nothing further with, this will have a knock on effect in terms of further efficiencies that could be made once the systems are fully integrated.

9 Risk Management

Risk	Consequence	Probability	Impact	Treatment
Funding not found	System not commissioned	2	4	Continue to use Universe
Universe not supported	Support system breakdown	5	3	Temporary manual back-up
Re-introduce manual systems	Labour intensive. No management reporting. No WEB information. No debtor linkage. No inter-authority linkages. Unable to maintain statutory CP registers	3	4	Re-investigate electronic support system purchase.

Conclusion: There are elements of risk that exceed the Council's risk profile, and the need to invest in a computerised support system seems inescapable.

10 Links to Corporate Priorities

Links to Delivery, Working in Partnership, Pioneer Somerset. "Acolaid" installation is the Taunton Deane Client 2 highest priority after SAP.

11 Equalities Issues

There are no equalities issues arising from this report.

12 Partnership implications

The Building Control service is provided jointly with Sedgemoor District Council through shared management and staffing arrangements. Acolaid would provide a common back-office system.

Non-purchase would make current shared and coordinated administrative arrangements more difficult. Support system commonality would be lost. Moves to merge forms and procedures would be halted. Taunton Deane might become a higher-cost provider, making uniform fee structures impossible.

13 Recommendation

It is recommended that the Executive should endorse:-

- (a) the principal of meeting the shortfall in funding of £51,900 from prudential borrowing to be serviced by revenue contributions from the Building Control trading account over the life of the Acolaid system; and
- (b) a commensurate increase in the 2009/2010 Capital Programme.

Contact: Brian Yates
01823 356471
b.yates@tauntondeane.gov.uk

Appendix A

Building Control Reserve – Movements 2008/09

	£	£
Opening balance April 2008	44,629	
Additional contribution	12,000	
	<hr/>	56,629
Less: HELM Consultancy report	7,000	
Customer portal licensing	4,549	
Year-end draw down	32,021	
	<hr/>	43,570
Closing balance March 2009		<hr/> 13,059