



Contract and Financial Procedure Matters Report

SUMMARY

- 1.1 This report deals with the following items that require reporting to and approval by Council Cabinet under contract and financial procedure rules:
- Crematorium mercury abatement charges
 - Modernisation of learning disability day services
 - Addition to the capital programme for work at Bute Walk Children's Home
 - Approval of allocations from the Youth Opportunities Fund and the Youth Capital Fund
 - Additional government grants in 2007/08 for children in care and 14-16 diplomas
 - Contract approval to deliver an employee benefits package
 - Change of usage of Resources department reserves
 - Funding of additional school connectivity costs
 - Technical adjustments to Regeneration and Community department revenue and capital budgets
- 1.2 Subject to any issues raised at the meeting, I support the following recommendations.

RECOMMENDATIONS

- 2.1 To approve an increase in the Crematorium's mercury abatement charge from £35 to £40 for 2008/09, and the transfer of fee income into a mercury abatement reserve to contribute to the cremator replacement capital scheme.
- 2.2 To agree in principle to the use of the former Derventio building for a learning disability service provision, subject to the Cabinet member for Adult Services and the Corporate Director being satisfied of the operational and financial viability of the proposal.

- 2.3 To approve the sale of the Birdcage Walk and Porter Road buildings used by the learning disability challenging behaviour and autism services and to invest the capital receipts into the Racecourse building and site.
- 2.4 To approve the addition to the Children and Young People's department capital programme of a £52,680 scheme to replace windows and doors at Bute Walk Children's Home, including a carry forward to 2008/09 of £12,680 funding.
- 2.5 To approve bids against the Youth Opportunities Fund and the Youth Capital Fund previously supported by the Youth Panel.
- 2.6 To approve use of additional government grant funding for Care Matters initiatives for 2007-08.
- 2.7 To approve use of additional government grant funding for 2008 Diploma Consortia
- 2.8 To approve entering into a contract with P & MM Ltd for the delivery of an employee benefits package on a cost neutral basis
- 2.9 To approve the change of use of Resources department reserves as set out in Table 1.
- 2.10 To agree the funding of additional school connectivity costs as set out in section 8.
- 2.11 To agree the adjustments to Regeneration and Community department revenue and capital budgets as set out in section 9.



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SUPPORTING INFORMATION

1. Crematorium mercury abatement charges

- 1.1 To address the Department for Environment, Food and Rural Affairs (Defra) requirements that, by 31 December 2012, 50% of all cremations at existing Crematoria are subject to mercury abatement, the Council has charged a £35 mercury abatement fee in 2007/08.
- 1.2 A ring fenced reserve to assist with the future costs required to adapt or replace the cremators to comply with mercury abatement requirements has been created, from income from the mercury abatement fee. A scheme to replace the cremators is in the proposed corporate capital programme for 2008-11, with an estimated total cost of £2.375m, of which the reserve is expected to contribute £450,000.
- 1.3 The current charge of £35 per cremation is based on the levy recommended by the Federation of British Cremation Authorities. They are now recommending a charge of £40 per cremation in 2008/09.
- 1.4 The increased mercury abatement levy from £35 to £40 per cremation will generate approximately £14,000 additional income to be transferred to the mercury abatement reserve in 2008/09.

2. Modernisation of learning disability day services

- 2.1 In July 2007, Cabinet agreed that we should undertake a feasibility study on the strategic direction for the provision of day services for adults with learning disabilities in Derby, which included the re-provision of a building which would provide an appropriate environment for people with autism and challenging behaviour.
- 2.2 The Learning Disability challenging behaviour and autism services are currently operating from two buildings, one on Porter Road and the other on Birdcage Walk. Porter Road comprises two Victorian semi-detached houses, joined by an internal staircase and Birdcage Walk is an old children's home. Both buildings are unsuitable and no longer fit for purpose. Both buildings are now full to capacity with the result that we are unable to meet some current and any future demand for these types of services. Appropriate services are vital if we are to be able to support carers to care for people with autism and challenging behaviour and to be able to maintain people at home as an alternative to residential care

- 2.3 The proposal is to use the building and surrounding site that was formerly occupied by the Derventio project on the Racecourse in Derwent Ward as a base for a specialist autism and challenging behaviour service. This service would become the main core user and would generally occupy the building Monday – Friday 8.30am – 4.30pm each week.
- 2.4 Amalgamating the two current bases will enable the Learning Disability Service to make the best possible use of staff resources and management capacity. The service would be looking to share the building and site with other community groups and organisations, especially during the evenings and at weekends.
- 2.5 There should be opportunities to work in partnership with other community groups which have already expressed an interest in the site and would like to work with us in developing social enterprises such as horticultural and cycle hire and maintenance initiatives. This would promote the principles of non-segregated services as advocated by the Government White Paper “Valuing People”. There will be opportunities to include the wider learning disability service in the development and maintenance of the grounds. This could include a sensory garden, and maintaining/developing the existing mud and straw huts.
- 2.6 The building was constructed with the benefit of New Deal funding. We will need to ensure the proposed use is considered acceptable so as to ensure none of the grant funding is “clawed back.”
- 2.7 We have been searching for a suitable site for some time but despite an intensive search it has not been possible to locate a suitable base that will meet the needs of people with challenging behaviour and autism. Following an initial expression of interest in the building, a project team was set up to look at all options for the building and site. This included representatives from Asset Management, Maintenance, Parks, the Voluntary Sector, Sports and Leisure and the Derwent Community Team. The group has concluded that use by the Learning Disability Service was the best option in relation to capital input, consistent use, sustainability and reliability.
- 2.8 It is proposed to use the capital receipts from the sale of Birdcage Walk and Porter Road to offset the cost of the work that will be required to bring the building on the Racecourse up to specification. As this is outside the normal policy on use of capital receipts, this requires Cabinet approval. Expenditure would need to be incurred in advance of the receipt.
- 2.9 The building is deteriorating quickly and will require some immediate work to make it operational such as the installation of electricity, roof and other repairs and the installation of appliances and vents. Missing fittings will need to be replaced and some alterations and repairs are needed. Ground works are needed including upgrading the car park. The estimated cost of these works is approximately £200,000. Due to recent vandalism the site needs to be urgently secured.
- 2.10 In addition, some work will be required to make the building suitable for people with challenging behaviour and autism, to include some partitioning, safe lighting, floor covering and appropriate and safe heating. Some work will also be required to the toilet cubicles as these are very small.

- 2.11 The capital receipts from the sale of Birdcage Walk and Porter Road should be sufficient to cover these capital costs. £20,000 capital had been allocated for roof repairs to Porter Road from corporate funds but this has been put on hold pending the outcome from this proposal. Detailed work must be done on all costings for the proposal before proceeding any further.
- 2.12 There could be a claw back of £830,000 if the Government NDC targets are not considered to have been met. Officers are liaising with the Government Office for the East Midlands on this issue and the decision of Cabinet following this report will be included in these discussions.

3. Addition to the capital programme for work at Bute Walk Children's Home

- 3.1 Following a survey of the Bute Walk Children's Home by Property Services it was reported that virtually all the windows and external doors were in need of replacement. As well as the importance of the environment to the staff and young people in the home, the condition of the buildings are assessed and included as part of OFSTED's overall inspection of the Children's Home. It is therefore of significant importance to undertake this work.
- 3.2 The total estimated cost of the project is £52,680. It is anticipated that work will start on site in late March 2008. The work is to be funded from the allocation for Children's Home Care Standards in the Children and Young People's Capital Programme for 2007/08 (£40,000), with the balance on the scheme (£12,680) from the 2008/09 allocation of £43,000. Permission is requested to carry forward the 2007-08 funding from Supported Capital Expenditure (Revenue) to enable the scheme to be undertaken.

4. Approval of allocations from the Youth Opportunities Fund and the Youth Capital Fund

- 4.1 The latest meetings of the young people's Youth Panel have considered applications for both the Youth Opportunities and Youth Capital Funds.
- 4.2 Nine applications to the Youth Capital Fund were considered and recommended with a combined total of £37,965. This leaves an uncommitted balance of £11,749 from the 2007-08 allocation of £130,086. The applications from both statutory and voluntary sector projects included:
- Building improvements to several projects across the city, including Derwent Youth Centre refurbishment
 - Purchase of new ICT equipment to support young people's formal and informal learning
 - Equipment to improve the programme delivery in youth clubs in Sinfin, Abbey, Mickleover, Normanton, Breadsall and Spondon wards
 - New youth shelter for Chaddesden
 - Equipment for a music project in Normanton

4.3 Thirteen applications to the Youth Opportunities Fund were received from both statutory and voluntary organisations. Three of the applications did not meet the criteria for the funding. Ten applications were recommended, six of which were from voluntary organisations. The total amount recommended was £20,282, bringing the total approved to £108,600, from an allocation of £150,403 in 2007-08. Applications supported included:

- Extra support for work with young people with disabilities
- Production of a DVD highlighting the needs of young carers
- Resources for a detached work project for young people aimed at diverting them into positive activities

4.4 Government Office for the East Midlands has confirmed that, as a four star authority, Derby can carry forward any unspent balance from the Youth Opportunities Fund and any committed expenditure from the Youth Capital Fund.

5. Additional government grants in 2007/08 for children in care and 14-16 diplomas

5.1 The Department for Children Schools and Families (DCSF) has awarded additional money to some local authorities, including Derby, to provide support to implement changes set out in the Care Matters White Paper. The non ring fenced grant of £16,000 will be used to support initiatives to benefit looked after children. This could in part free up budget to support the emerging overspends on agency placement budgets, and support additional costs of accommodation for the Children in Care Teams accommodation costs.

5.2 From September 2008 consortia of schools and colleges will be delivering diplomas. The DCSF has awarded an additional one off payment of £21,000 to Derby to support the first year of delivery and help build capacity to deliver diplomas at Key Stage Four. Within the terms of the funding the Derby consortium can decide how the funding is used to support the process of implementation in areas such as additional development for the workforce. This is paid via the Standards Fund payment mechanism and is available until August 2008.

6. Contract approval to deliver an employee benefits package

6.1 Cabinet approved on 1 August 2006 a waiver of the requirement to tender in Contract Procedure Rules, to enter negotiations for a cost neutral employee benefits package with P&MM Ltd. Detailed negotiations have now taken place and it is now proposed to enter into a contract with P&MM Ltd.

6.2 The employee benefits package includes two schemes which will provide opportunities to encourage a move towards more sustainable transport and are open to employees who meet the eligibility criteria set by HM Revenue and Customs (HMRC). These are:

- Cycle to work scheme – this gives the opportunity for employees to lease a bicycle paid for through salary deductions, with tax, national insurance and VAT savings. This facility replaces the current cycle loan scheme, for which there are currently no loans outstanding.

- Green Travel to Work – employees are able to purchase an annual bus pass, again paid for through salary deductions, with tax and national insurance savings for each individual.

- 6.3 The costs of the administration and management of the employee benefits package will be covered by savings on employer's national insurance up to a capped limit and a small charge paid by employees through their monthly deductions.
- 6.4 There is also access to discounted 'lifestyle' goods and services, funded by the employers National Insurance savings, provided and managed by P &MM Ltd. There is no administration responsibility for the Council for this scheme, which would be open to all employees.
- 6.5 P&MM Ltd would manage the two salary sacrifice schemes and associated ordering and supplier arrangements, in addition to the 'lifestyle' employee benefits package. The Council is responsible for setting up and managing the processes necessary for authorising applications from employees and processing the associated payroll deductions in line with Her Majesty's Revenue and Customs rules.
- 6.6 The Council will have more responsibility for the management and administration of the cycle to work scheme because we have chosen to purchase the cycles. However, given that take-up levels on similar schemes managed by P&MM Ltd are rarely above 3% of eligible employees, the administration should be manageable.
- 6.7 The proposals for the employee benefits package are on a cost neutral basis, based on the following assumptions / risks:
- The administration costs for the Council will be contained within the Human Resources revenue budget
 - The risk of employees joining who are below the National Insurance (NI) threshold is considered low, based on purchase value and assumed take up. The average annual service charge for individuals joining the scheme who are below the NI threshold is £24; it is anticipated that this will be funded by the employing department
 - The cash flow risk to the Council on the purchase of cycles is considered low, based on purchase value and assumed take up.
 - The VAT savings will be passed onto employees.
 - Employees leaving the Council with an outstanding debt will be liable for the debt.

7. Change of usage of Resources department reserves

- 7.1 The Resources department has been reviewing its priorities for the next three years in the context of its business plan and budget proposals. The key issues which could need additional short-term funding are:
- Financial systems developments, including the new Human Resources/payroll system and phase 2 of the Oracle accounting and payments system
 - Resources department support to Transforming Derby projects
- 7.2 It is proposed to change the use of existing departmental reserves to support these initiatives. The changes are set out below in Table 1.

Table 1 - Proposed re-designation of service carry forwards and service specific reserves

	Original Usage £000	New proposed usage £000
Towards Corporate CPA Assessment Process	29	
Procurement Savings Reserves	21	
Treasury Management Reserve	51	
Travel & subsistence system developments	34	
Financial systems developments		55
Financial Resources to support Transforming Derby Projects		80
TOTAL	135	135

8. Funding of school connectivity costs

- 8.1 In April 2006, Cabinet agreed that Derby would not continue with membership of the East Midland Broadband Consortium (EMBC) and would instead build a Derby schools network. The project cost was in excess of £1m and involved an extensive amount of engineering to provide fibre cable into schools. The government target for 2006/07 was a minimum of 2mb for primary and 8mb for secondary but we decided to install 10mb throughout in order to allow some capacity for future demands. Each of the 10mb schools can be upgraded to 100mb with no further engineering required.
- 8.2 Included within the tariff of £6,000 per circuit was an allowance of £5,000 for the works to be carried out. These works included digging up pavements and grassed areas, installing ducting, breaking through walls and installing conduit throughout schools. Usually, the allowance is sufficient to cover the costs but BT is entitled to charge where the costs exceed the allowance as it involves a “regulated product” whereby national terms and conditions apply. Although costs in most of our schools came within the allowance, there were a significant number of high costs connections in Derby. We had made some additional provision to cover this eventuality, but the costs far exceeded our budget.
- 8.3 Alongside these additional costs, there were unexpected EMBC costs of around £70,000 as the Consortium ended. There were issues around the ownership of assets, costs to remove infrastructure no longer required and staff costs in relation to the financial closure of the 2006/07 accounts. Liability for these costs had to be negotiated with the remainder of the consortium, which funded around half the costs.

- 8.4 The majority of funding for the schools network has come from the Standards Fund grant for National Digital Infrastructure. In 2008/09 this grant will be incorporated into a new Harnessing Technology grant. A proposal was approved by the Schools Forum on 24 January 2008 to top-slice the Harnessing Technology budget to deal with the one-off additional costs incurred in establishing the new network.
- 8.5 To finance the total additional costs of £689,192 in 2007/08 it is proposed that use of departmental reserves of £200,000 is applied. Slippage from other non-ring fenced capital schemes will finance the balance of £489,192. Both the reserves and financing from the slipped schemes will be reinstated in future years. It is proposed that these are reinstated in 2008/09 and 2009/10. In 2008/09 the Harnessing Technology Grant will be top sliced by £246,500 (this will be devolved to schools and charged back through the sold service to comply with the conditions of the grant) and a revenue contribution of £176,000 from the ICT budget within Children and Young People's Department will be made. The £176,000 budget was previously needed to match fund the Standards Fund grant but is now available for other purposes. The balance of £266,692 will be funded by a further revenue contribution from the Departmental budget in 2009/10; this comprises a further contribution of £176,000 from the ICT revenue budget and £90,692 from the Harnessing Technology Grant.

9. Adjustments to Regeneration and Community department revenue and capital budgets

- 9.1 The current whole life cost for QUAD is £10.808m as approved by Cabinet on 18 December 2007. Although the whole life cost provides sufficient funding to bring the building into operation, some items such as marketing and fundraising costs cannot be capitalised. A reduction in the capital programme is therefore required to create the necessary revenue budget to fund such expenditure. The revenue funding forms part of the overall QUAD funding package and has already been secured. Cabinet is therefore asked to approve a reduction in the QUAD capital programme of £239,000 to create a revenue budget for QUAD in 2007/08 of £239,000. The grant funding will also be transferred to revenue. The overall total budget for QUAD will remain at £10.808m
- 9.2 Cabinet approval is required to approve changes to the Local Transport Plan (LTP) capital programme above approved departmental delegated limits. The changes proposed from the capital programme and the highway revenue programme are to manage the financial outturn relating to the former Highways Maintenance Contract. Cabinet in July 2007 previously approved adjustments to manage part of this; however, decisions on the detailed breakdown of £404,000 have yet to be made. As the funding required is largely revenue related we are proposing to transfer LTP programme budgets and capitalise £404,000 of highway revenue schemes against the LTP programme. This will release the necessary revenue funding.
- 9.3 The proposed adjustments are:
Capital programme
- Increase the 'maintenance of transport infrastructure' and 'local accessibility and environmental improvement' strategy areas by a total of £404,000
 - Decrease the non-specific scheme slippage funding across strategy areas by £54,000

- Decrease the major scheme strategy by £220,000, with minimal impact due to delays in progressing the scheme
- Decrease the Allenton/Alvaston District Centre scheme by £130,000, using the balance from the funding switch with Public Realm as previously reported to Cabinet on 31 July 2007. This does not change the overall spending on the scheme

Revenue programme

- Capitalise revenue schemes against the capital programme to free up revenue funding of £404,000

- 9.4 During 2007 the ownership of 58 bus shelters has passed from a company called Clear Channel to the Council. A further number of shelters will transfer ownership as they are replaced. The replacement programme covers the period of 18 months from the contract start date of June 2007. The purchase price of the assets was £509,490. This was wholly funded from an advertising rights payment from Clear Channel to the Council. The maintenance liability still remains with Clear Channel under the terms of the contract. Cabinet is asked to approve the inclusion of the bus shelter purchase onto the capital programme to allow the assets to be valued and written down over the asset life.

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

1. As outlined in the report.

Legal

- 2.1 The lease to Derventio Heritage Village Ltd has been surrendered back to the Council. Any operational use needs to be appropriate.
- 2.2 A planning application for change of use will need to be made if the proposal proceeds.

Personnel

3. As outlined in the report. The employee benefits scheme will have both financial and health benefits for the workforce.

Equalities impact

4. The learning disability modernisation programme is committed to providing and supporting opportunities for participation in the ordinary life of our community for a vulnerable and marginalised group of people.

Corporate priorities

5. These recommendations, where relevant, are in line with approved budgets which accord with the Council's corporate priorities. The learning disability modernisation programme supports the Council's objectives of healthy, safe and independent communities and furthers the priority of modernisation social care, including adult home care.