



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:
- funding and contractual issues relating to the extended concessionary fares scheme
 - contractual issues relating to the Dial a Bus contract
 - additional Schools Budget grant funding
 - funding for two new health and safety advisers for schools
 - additions and amendments to the schools capital programme
 - sale of the Jayex signboard
 - funding for an additional valuer post
 - the Annual Efficiency Statement for the 2006/07 financial year
 - early revenue budget 2007/8 monitoring risk budgets and significant variances identified.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendations.

RECOMMENDATIONS

- 2.1 To approve the addition of extra funding of £58,339 from the Department for Transport (DfT) to the concessionary fares revenue budget in 2007/08.
- 2.2 To approve a waiver from Contract Procedure Rules - CPR15 tendering requirements - to permit the Council, in partnership with Derbyshire County Council, borough and district councils, to enter into an agreement with a concessionary fares card supplier to be short listed by the DfT following the DfT tendering process.
- 2.3 To approve the use of the first tranche of funding for the Regeneration and Community Department to take on a temporary member of staff to begin the process of cleaning the database of existing Gold Card holders to ensure that there is an updated list of those who need a new card.
- 2.4 To approve a waiver under Contract Procedure Rule CPR24 to award a contract to Derby Community Transport to operate the city Dial A Bus service and other bus services from September 2007 on the basis that this company scored highest in the tender assessment process.

- 2.5 To approve the use of additional Dedicated Schools Grant (DSG) of £622,000 to fund preparation costs for Building Schools for the Future (BSF) and to devolve additional School Development Grant (SDG) of £307,000 to schools, except those with surplus balances, based on pupil numbers.
- 2.6 To approve the use of up to £30,000 of corporate reserves to fund two additional health and safety advisers for schools for 2007/08 only, with ongoing costs from 2008/09 to be funded by the Children and Young People's Department.
- 2.7 To approve the addition to the capital programme of, and to commence spending on, schemes relating to post-16 provision at Lees Brook Community Sports College and the Schools Access Initiative, and a funded increase in the cost of the scheme to rebuild Sinfin Community School.
- 2.8 To approve the sale to Cardiff City Council of the Jayex electronic signboard and to use the income to part repay the original pump priming fund advance.
- 2.9 To approve £34,000 funding for an additional valuer post, to be funded from additional capital receipts.
- 2.10 To note the Annual Efficiency Statement for the 2006/07 financial year submitted to central government.
- 2.11 To note the revenue risk budgets identified by departments for revenue budget monitoring during 2007/08.
- 2.12 To note the significant variances emerging from early 2007/08 revenue budget monitoring.



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SUPPORTING INFORMATION

1. Concessionary Fares

- 1.1 Derby City Council is already part of the Derbyshire wide Gold Card concessionary fares scheme operated by the County Council. In April 2008 a new national concessionary bus fares scheme for elderly and disabled people will come into force. This will allow these groups of people to travel by local bus for free off peak anywhere in England.
- 1.2 To allow this to happen a new national concessionary fares card needs to be issued to all existing card holders throughout England. These new cards will be in a smartcard format which means they will be able to store electronic information. Whilst no buses in Derby or Derbyshire are currently equipped with card readers it is the government's intention that this will happen in the future.
- 1.3 The Department for Transport (DfT) is leading on a national tendering process for the production of passes, as design will be standard across the country. The DfT has calculated that the whole card purchasing and issuing process will cost between £2.90 and £3.59 per card. The estimated cost to the Council would be between £127,000 and £157,000, though the precise figure will not be known until DfT have completed their consultation about the specification of the passes and completed discussions with suppliers.
- 1.4 The DfT intend to pay a non-ring fenced grant under S31 of the Local Government Act in order to cover reasonable new burdens associated with issuing passes before April 2008. The DfT have confirmed they will pay the Council an initial grant of £1.20 per pass (totaling £58,339) in August, with a further grant payment in October.
- 1.5 To implement these changes the Council needs to undertake a series of tasks between now and April 2008 including ...
 - Cleaning our records of existing Gold Card holders to ensure we have an updated list of those who will need a new card. Temporary additional staff resources will be required to undertake this, and it is proposed to recruit a temporary member of staff immediately to get this under way.

- Entering into agreement with a provider of the cards for them to supply Derby with 44000+ cards for the existing card holders. The DfT is already undertaking a tendering process with a number of potential card providers for them to provide these cards and a number of other services to local councils throughout England. This process will be completed in August after which time local authorities nationally will be able to buy into one of these agreements. It is anticipated at the moment that the same supplier will be used to provide cards for Derby and the whole of Derbyshire.
- Transferring the data about our existing card holders to the card provider to allow them to produce the cards.
- Distributing the new cards to the existing card holders either by post or with them coming in to collect them in person.
- Upgrading of our existing card issuing software and computers so that the new style cards can be issued locally to people who become entitled after 1st April 2008.
- Publicising the new scheme.

2. Dial a Bus Contract

- 2.1 The existing Community Transport services are designed to allow people who were unable to use conventional public transport to travel to shopping and leisure facilities and to provide low cost transport to social and community groups. The contract with the existing operator comes to an end in September 2007. Following discussion with the Cabinet Member for Planning and Transportation, it was agreed that changes should be introduced from September to provide additional services.
- 2.2 Two companies have been short listed following public notification of the tendering process through the European Journal and pre-selection questionnaires. During the assessment process it became clear that the quality of service that Derby Community Transport are proposing to operate was higher than that being offered by Company B which provided the lowest cost tender.
- 2.3 Quality of the service is a critical issue on this contract as the people who make use of it are more likely to be either elderly or disabled and thus more vulnerable members of our community. This was reflected in the assessment criteria for the tender where 70% of the marks were awarded for the quality of service proposed and 30% on cost. The outcome of this assessment and scoring process is that the contract should be awarded to Derby Community Transport as this is the operator with the highest overall score.
- 2.4 The cost of the tender from Derby Community Transport is £320,999 and can be contained within the budget for this service which is £326,466.

3. Children and Young People's Department – additional grant funding

- 3.1 Final allocations of Dedicated Schools Grant (DSG) and School Development Grant (SDG) have now been announced. The DSG is £622,000 higher than in the budget and the SDG is £307,000 higher based on final pupil numbers. It is proposed to use the additional DSG to fund preparation costs for Building Schools for the Future (BSF) in 2007/08, 2008/09 and 2009/10; this is covered in more detail in a paper elsewhere on the agenda. Schools Forum has given its approval to the breach of

the central expenditure limit within the Schools Budget. The SDG has to be devolved to schools, and it is proposed to devolve this on pupil numbers except where schools have surplus balances.

4. Health and Safety Advisers

- 4.1 The present schools health and safety audit programme extends across all the Council's Community and Voluntary Controlled schools as well as the Pupil Referral Unit (PRU). Additionally, all Voluntary Aided schools are also included in the audit programme. Although the Council does not own their premises or act as the employer, historically they have adopted our policies and procedures, and have been monitored on that basis. A total of 97 schools are currently audited over a three-year period. Audits are obviously limited to term time when the schools are open. There are no revisits planned into the audit programme.
- 4.2 Delegated budgets for building maintenance and other services have allowed some schools to arrange their own maintenance, building and other work. There is a need to check that those that do not purchase Council services are complying with legislation and Council policies. These may be considered a higher priority for monitoring than those that do purchase Council services. The outcome of the Silverhill case makes it clear that monitoring of implementation of Council health and safety policies needs improving.
- 4.3 The provision of two further Health and Safety Advisers would mean that we could bring the current audit frequency for individual schools down from once in three years to once a year and for a more comprehensive audit to be carried out. These additional staff would also allow the schools training programme to be more targeted for those schools perceived to be at highest risk from the audits. Risks here are not only to do with general property issues but also overall Health and Safety management issues. Schools are very demanding of the Health and Safety service and present both complex and time consuming health and safety issues for Council staff. These posts would allow more flexibility in advising on such issues, which has to be seen as part of the wider audit/training process.
- 4.4 Two additional health and safety advisers would initially cost £57,938, with a maximum cost of £67,320 following incremental progression. It is proposed that the part-year costs of up to £30,000 in 2007/08 would be funded from corporate revenue reserves, and that the Children and Young People's Department would need to build these costs into its budget from 2008/09.

5. Capital Programme

- 5.1 Approval is sought to add the following Children and Young People's Department capital schemes and funding to the capital programme for 2007/08 and to commence spending on the schemes:
- Schools access initiative schemes – see Appendix 4
 - Lees Brook Community Sports College Post 16 Centre and Construction Centre
On 31 October 2006 Cabinet gave approval to a bid to the Learning and Skills Council (LSC) for a new 150 place post-16 Vocational Skills Centre. Funding of £3,033,079 has been approved by the LSC. There is a requirement to upgrade the power supply as a consequence of this scheme, the estimated

cost of this work, £120,000, is to be funded from NDS Modernisation funding 2007/08. The school has also been successful in securing local LSC funding of £275,000 towards the establishment of a new Construction Centre. The total estimated cost of the project is £340,000 with the funding from the LSC, £5,000 from Construction Skills and £60,000 school's devolved budget. The above work is scheduled to start on site in September 2007 and is expected to be completed by August 2008.

- **Sinfin Community School**
The school is currently being replaced as part of the Department for Children, Schools and Families (DCSF) Building Schools for the Future (BSF) One School Pathfinder programme following the fire. Sport England is keen to provide additional funding to enhance the sports facilities at some BSF schools. An outline approval has been given from Sport England to increase the planned Artificial Turf Pitch (ATP) from half size to full size. Due to timescales a Stage 2 bid had to be submitted by 6 July 2007 to secure the extra over cost of £237,000. Retrospective approval to this action is requested.

The balance of 2007/08 NDS Modernisation Funding currently unallocated is £430,629. These allocations will reduce it to £310,629.

6. Jayex signboard

- 6.1 The Jayex electronic signboard was purchased in 2003 from a £55,000 pump priming fund advance, which was expected to be repaid from advertising income. This has not been achieved and the signboard has not been in operation since May 2007. Approval is now sought to sell the signboard back to Jayex for £10,000, and to use the revenue proceeds to part repay the pump priming fund. The balance will be repaid from unused Regeneration and Community Department reserves as included in the revenue outturn report on this agenda.

7. Additional Valuer Post

- 7.1 A disposals programme has been established which has been informed by the property review programme. This has identified £18.7m of potential capital receipts and a list of additional properties which could become surplus in the future and which would also generate a significant receipt. Property consultants have been engaged to deal with the marketing and negotiations and have produced some excellent results. Unfortunately most of the properties which are surplus are rather complex and require significant pre marketing works including:

- option appraisal prior to declaring surplus
- relocation of building users in many cases
- consultation with Ward Members, neighbours and voluntary and community groups
- consideration of asset transfer in accordance with the Quirk Review
- site investigation
- management whilst vacant
- negotiation with planners to balance maximising receipts with compliance with planning policy
- post marketing negotiations, consultation and trouble shooting
- reporting and monitoring.

- 7.2 During 2006/07 the receipts generated totalled £4m. There are currently £11.68m worth of assets under offer but few currently ready to start marketing to generate receipts later this year and into 2008/09.
- 7.3 In addition to this the shortage of staff resources in Estates is making it difficult to continue with a structured pro-active review programme which is essential for generating surplus property for future sale. The draft Property Strategy recognises that in order to develop a lean and well planned property portfolio that there will need to be an informed reduction in “roofs” and this post would deal with both disposal work and reviews to generate a disposal programme for future years.
- 7.4 The cost of the post would be £34,000, including oncosts. An additional valuer post at Principal Officer level can be funded from the receipts which it generates by offsetting an equivalent cost of eligible work by the Valuation Team, including this new post, against the additional receipts income.

8. Annual Efficiency Statement

- 8.1 The 2006/07 outturn efficiency statement was submitted on 5 July 2007. New savings achieved during 2006/07 totalled £4.96m, which exceeds the Department for Communities and Local Government (DCLG) benchmark of £4.94m. The vast majority of these savings (£4.03m) are cashable. The Council has now been monitoring and recording efficiency savings as part of the Gershon agenda since 2004/05. The cumulative savings target for Derby to the end of the 2006/07 financial year is £9.88m. The actual savings achieved have been £12.26m. 2007/08 will be the final year of the present Gershon reporting cycle, and the Council is in a very strong position to achieve the overall cumulative target of £14.82m.

9. Revenue Budget Monitoring

- 9.1 During 2007/08, there will be a significant change in the way budget monitoring is reported. Cabinet will continue to receive quarterly summarised reports, but more detailed reporting by portfolio is being developed and will be available to individual Cabinet member meetings together with performance management information. This will improve strategic planning by explicitly linking financial inputs to outcomes through the year as well as at the time budgets are set. The first sets of joint reports are planned for the Cabinet member meetings in the autumn.
- 9.2 Departments have identified those budgets which have the greatest degree of financial risk. These may be because of a dependence on volatile external income, or where a small change in demand can result in a significant budget pressure. The risk budgets are shown in Appendix 2 and will be the subject of more detailed monitoring during the year.
- 9.3 Significant variances already identified in 2007/08 are shown in Appendix 3. The most critical is in adult social services, where there is a current projected overspend of £2.5m. The Director of Corporate and Adult Services points out that £1.8m of this is attributed to the home care budget where demand continues to increase. For this budget to break even 19,000 hours have to be provided each week. We currently are providing over 21,000 hours. This level has fallen from over 22,000 in April as services to people with low level needs are withdrawn. This process will continue but we do not consider the situation will much improve by the year end. Demand is predicted to increase in 2008/09 in line with an increase in size of the elderly

population. This will have to be addressed in the budget process for next year. The remainder of the variance arises from the failure to achieve a number of the agreed savings built into the 2007/08 budget. The actions being taken to reduce the overspend are:

- Home Care hours including Direct Payments are being subject to a case by case review leading in most instances to a reduction in hours delivered
- all sections of the department are prioritising actions on the 2007/08 planned efficiencies
- a partial department wide vacancy control has been put in place
- additional devolved budgets have been introduced to push control and responsibility closer to decision making.

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Background papers: Grant letters and contract documentation

List of appendices: Appendix 1 – Implications
Appendix 2 – Risk budgets
Appendix 3 – 2007/08 significant variances
Appendix 4 – Schools Access Initiative
Appendix 5 – Capital schemes at Lees Brook Community Sports College

IMPLICATIONS

Financial

1. As detailed in the report.

Legal

2. None directly arising.

Personnel

3. Approval of the report would create two additional health and safety adviser posts and a temporary post to support the concessionary fares scheme.

Equalities impact

4. The funding for the concessionary fares scheme will assist in publicising the new entitlements to elderly and disabled people, including hard to reach groups.

Corporate priorities

5. These recommendations, where relevant, are in line with approved budgets which accord with the Council's corporate priorities.

Summary of Risk Budgets

Risk budget	Reason for risk	Size of budget
		£000
Children and Young People		
Fostering and Adoption	Pressures leading to overspends in the past; volatility in number of placements	4,362
Home to School Transport	Pressures leading to overspends in the past; high industry inflation; links to high cost placement budgets	2,924
ICT	Need for rigorous project management	506
Workforce learning and development	Significant overspend in 2006/07; service supports two departments; dependence on external income	460
Children's social care agency placements	Pressures leading to overspends in the past; volatility of high cost placements and unavoidable demands; high public profile	3,589
Adult learning	Dependence on external income; reduction in grant funding; public profile of fee increases	(459)
Residential and Leaving Care	Pressures leading to overspends in the past; redesignation of Moorfields as a Pupil Referral Unit	3,131
Recoupment/Independent Special School Fees (Schools Budget)	History of overspends; volatility of high cost placements; dependence on external income; constraints of Central Expenditure Limit in Schools Budget	2,057
Sure Start Local Programmes	Dependence on external income; reductions in grant allocations; competing in childcare market	LAA grant funded (2,497)
Children's Centres	Volatility of budget variances; dependence on external income; competing in childcare market	LAA grant funded (1,358)
Neighbourhood Nurseries	Dependence on external income; competing in childcare market	310
Corporate and Adult Services		
Estates Income	Volatile demand factors	(1,052)
Markets Income	Volatile demand factors	(2,682)
Land Charges	Changes to service; move to trading account and dependence on income	455
Housing Repairs Account	Need to recover overspend from 2005/06	8,778
Home Care	Hours supplied exceed budgeted provision	12,148

Risk budget	Reason for risk	Size of budget
		£000
High cost adult social care placements	Volatility of demand; high public profile in changing eligibility criteria	7,317
Staffing budgets	Increased vacancy savings target; agreed 2007/08 savings not fully implemented in Hospital Social Work and Skill Mix	25,751
Supporting People	History of overspends; reliance on external income	(250) additional income target
In house Residential adult social care	High public profile of home closures	3,390
Meals on Wheels	High public profile of increases in charges	215
Day Centre charges	High public profile of increases in charges	180
Voluntary sector grants	High public profile; agreed savings not implemented	1,505
Adult social care support services	Agreed 2007/08 savings not fully implemented	3,459
Environmental Services		
Waste disposal	Little control over volumes produced	3,010
Composting	Tonnage weather dependent; new Rethink Rubbish rounds being introduced	737
Golf income (trading account)	Income weather dependent	(491)
Building tendered works (trading account)	£1m income not secured	(19,000)
Sports centre income (trading account)	Varies with public participation	(2,407)
Regeneration and Community		
CCTV	Income target not being achieved; increased monitoring and maintenance.	204
Car Park Income	General occupancy reductions.	(3,141)
Decriminalised Parking Enforcement	Reliance on fine income reaching anticipated levels.	(75)
Highway Maintenance	Previous year's monitoring highlighted control issues; contractual claims against Council	2,229
Arts Grants	High public profile	746
Big City Screen	New initiative; reliance on external income	0 net
Development Control	Downturn in applications.	(94)
Building Consultancy	Downturn in inspections.	76
Dept wide balance	Savings still to be identified	100

Risk budget	Reason for risk	Size of budget
		£000
New Deal for Communities (external funding)	Concern over sustainability of projects; recent interest from press.	5,876
Resources		
Telecommunications	Lack of control as a central budget leading to risk of overspends; devolution of budgets to departments being progressed	273
Treasury Management – investment income	Dependence on interest rates and profile of capital expenditure	15,114
Benefits Payments	Overspend in 2006/07	66,993 (gross)

2007/08 budget monitoring – summary of significant variances

Service	Projected year-end variance	Reason for variance	Action being taken
	£000		
Children and Young People			
Workforce Learning and Development	100	Demand for service not controlled	The costs of the agency training officer for the Integrated Children's System has been funded from underspends elsewhere within the service and detailed work will be undertaken with Corporate and Adult Services with a view to producing a Service Level Agreement that can be contained within existing resources.
Reception and Hospital Services	100	Underlying staffing overspend	Where possible, budgets from underspending services within the division will be permanently transferred where possible to reduce the ongoing impact
Corporate and Adult Services			
Home Care	1900	Increase in number of hours provided above budgeted level (£1.8m); savings from move to independent sector only partly achieved (£0.1m)	See paragraph 9.3 of report
High cost placements – mental health	150	2007/08 saving of reduction in package costs not achieved	See paragraph 9.3 of report
Hospital social work	100	Agreed saving in care management teams only partly achieved	See paragraph 9.3 of report

Environmental Services			
Composting	114	25% increase in tonnage in first quarter	Attempting to contain within existing budgets
Golf income (trading account)	100	Reduced income because of poor weather	Will be offset by increased income from other trading accounts or from the Trading Account reserve; full review of provision in the autumn
Regeneration and Community			
Friargate Studios	237	Forecast variance is based on occupancy rate reaching 19% (8 tenants) by March 2008. This is less than that forecast in the original business plan, which predicted 31% occupancy during the first year of operation. A number of other managed workspaces elsewhere in the city are also having problems in lettings.	Separate report to be taken to future Cabinet
Resources			
Benefits payments (corporate budget)	200	Actual cost of unrecovered overpayments and unsubsidised expenditure	Base budget review required

Schools Access Initiative Projects 2007-2008

Allocation:	£433,000
Previously Approved Schemes:	£110,000
Funding Available:	£323,000

New Projects:

School	Project	Project Cost	School Contribution	Schools Access Initiative Funding	Ward		Phasing 2007/08	Phasing 2008/09
Asterdale Primary	Installation of soundfield systems in seven classrooms and a hall.	£10,000	£0	£10,000	Spondon	2Q 2007-2008	£10,000	£0
Cavendish Close Infant	Platform lift from entrance hall to classroom level. Lift in medical room for access to office and dining hall and installation of disabled toilet	£41,600	£0	£41,600	Chaddesden	2Q 2007-2008	£41,600	£0
Firs Estate Primary	Lift level of pavement outside main door to provide level access	£4,025	£0	£4,025	Abbey	2Q 2007-2008	£4,025	£0
Hardwick Primary	Installation of hydraulic changing bed	£3,000	£0	£3,000	Normanton	2Q 2007-2008	£3,000	£0
Markeaton Primary	Convert existing girls toilet on ground floor into disabled toilet plus one extra cubicle	£16,500	£0	£16,500	Darley	2Q 2007-2008	£16,500	£0
Mickleover Primary	Installation of soundfield system in ten classrooms	£12,000	£0	£12,000	Mickleover	2Q 2007-2008	£12,000	£0
Reigate Primary	Create ramped access from infant playground to main building	£5,750	£0	£5,750	Mackworth	2Q 2007-2008	£5,750	£0
Roe Farm Primary	Installation of platform lift	£8,360	£0	£8,360	Derwent	2Q 2007-2008	£8,360	£0
Littleover Community	Create ramped access into medical room and create emergency vehicle bay. Install handrails and yellow nosing on steps throughout school and replace slabbed paths with tarmac.	£40,000	£0	£40,000	Littleover	2Q 2007-2008	£40,000	£0

New Projects:

School	Project	Project Cost	School Contribution	Schools Access Initiative Funding	Ward		Phasing 2007/08	Phasing 2008/09
Woodlands Community and Reigate Primary	Purchase of new radio aid systems	£40,000	£0	£40,000	Allestree	2Q 2007-2008	£40,000	£0
Specialist Teaching and Psychology Service	Equipment	£60,000	£0	£60,000	City Wide	2Q 2007-2008	£60,000	£0
Lord St Nursery	Alterations to 3 door thresholds for use by children with walking frames & visually impaired. Replacement of soft play with level soft play surface and line markings, and repairs to tarmac	£12,000	£0	£12,000	Boulton	2Q 2007-2008	£12,000	£0
Cherry Tree Infants	Low level seating, addition of path for pushchair. Additions of grab rails to toilet	£2,300	£0	£2,300	Chaddesden	2Q 2007-2008	£2,300	£0

Total cost of work proposed: £255,535

Remaining funding for scheme undergoing further feasibility work: £67,465

Capital schemes at Lees Brook Community Sports College

Project	Project Cost £	LSC Contribution £	School Contribution £	Modernisation funding £	Construction Skills Contribution £	Phasing 2007/08 £	Phasing 2008/09 £
Lees Brook Post 16 Vocational Skills Centre	3,033,079	3,033,079				To be confirmed	To be confirmed
Upgrade power supply to Post 16 Vocational Skills Centre	120,000			120,000		120,000	
Lees Brook Construction Centre	340,000	275,000	60,000		5,000	331,500	8,500