

Financial and Contract Procedure Matters Report

RECOMMENDATION

- 1.1 To note the increased deficit of Alvaston Junior Community School and inform the school that it must make significant progress in reducing the deficit in 2004/05, so that a sustainable and balanced budget can be reached by the end of 2005/06.
- 1.2 To approve an increase in the approved deficit of Sinfin Community School from £31,711 to £71,000 for 2003/04 and to request monthly monitoring returns from the school while it remains in deficit.
- 1.3 To amend the Education Department 2004/5 revenue budget to take account of additional Standards Fund allocations.
- 1.4 To formally approve commencement of the first phase of the 2004/5 Education capital programme, consisting of the schemes listed in Appendix 2.
- 1.5 To approve a new capital scheme for a City Centre Electronic Signboard at a cost of £84,500.
- 1.6 To approve a pump priming fund bid of £54,500, to be repaid over a maximum of five years and with any shortfall being met from within either the existing Development and Cultural Services revenue budget or a contribution from the City Centre Management Team.
- 1.7 To approve the release of £30,000 from the City Centre Management reserve to fund the balance of the capital cost of the Electronic Signboard, subject also to the approval by the City Centre Management Team Board.

REASON FOR RECOMMENDATIONS

2. Under financial procedure rules Council Cabinet approval is required.

SUPPORTING INFORMATION

3.1 School Licensed Deficits (Recommendations 1 and 2)

- 3.1.1 Two schools with licensed deficits are indicating that their forecast overspend at the end of the 2003/04 financial year will exceed the approved deficit.
- 3.1.2 Alvaston Junior Community School had approval for a deficit of £45,426, which was the maximum allowable deficit under the Council's Scheme for Funding Schools – 5% of the budget. The school is in fact likely to have a deficit of around £60,000 at the end of the year, mainly because of costs of staff sickness cover. The Cabinet cannot approve this level of deficit under its scheme for funding schools, but can note it, and can set conditions that the school must set a realistic and sustainable budget which balances by the end of the 2005/06 financial year and makes significant progress towards this by the end of 2004/05.
- 3.1.3 Sinfin Community School had approval for a deficit of £31,711. Its latest monitoring suggests that the overspend will be £71,000 because of additional expenditure on supply cover, statutory maintenance obligations, the purchase of a new management information system, and increased exam entries. It is unclear at this stage whether expenditure can be contained within the increased overspend. It is proposed that the Cabinet agrees an increase in the school's approved deficit to £71,000 in 2003/04, on condition that the school sends in monthly rather than quarterly monitoring information until the deficit is cleared.

3.2 Education Department Revenue Budget 2004/2005 (Recommendation 3)

- 3.2.1 An amendment is required to the Education Department revenue budget 2004/2005 approved by Council on 1 March 2004.
- 3.2.2 The DfES has made a late additional Standards Fund allocation for Advanced Skills Teachers (ASTs) to take account of ASTs currently being assessed. The additional allocation is £244,800, and is funded by government grant at 50%, with LEAs having to match fund the other 50%. This means that the Council's total match funding contribution to Standards Fund will need to increase by £122,000. As this funding is almost wholly devolved to schools, the Individual Schools Budget (ISB) has been reduced correspondingly.
- 3.2.3 The total for the School Standards Grant supporting the ISB has been increased by £67,000 to take account of the latest pupil number information. This is all devolved to schools and does not affect any other heading within the Education Department budget.
- 3.2.4 The change at 3.2.2 has resulted in an increase to the Standards fund expenditure budget of £244,800, matched by a reduction in the ISB expenditure budget of £122,000 and an increase in the Standards fund income budget of £122, 800. This does not change the total net budget for the department.

3.3 Education Capital Programme 2004/5 (Recommendation 4)

- 3.3.1 Council Cabinet approved the commencement of only the design and tendering process for the first phase of the Education Service Capital Programme 2004/5 on 24 February 2004. Approval to full commencement was not sought at that stage, because the Council's capital programme had yet to be approved in full.
- 3.3.2 The Council approved the 2004/5 Education capital programme on 1 March 2004. Cabinet are now asked to approve full commencement of the Education capital schemes as reported on February 24 Cabinet. These are listed in Appendix 3.
- 3.3.3 The design and tendering process has started for all of these schemes. Discussions on commencement and completion dates for schemes are ongoing.

3.4 Pump Priming Fund Bid – City Centre Electronic Signboard (Recommendations 5 to 7)

- 3.4.1 The previous City Centre Manager had agreed terms with Jayex, a manufacturer of electronic signboards, to provide such a board for Derby. This agreement preceded Cabinet and City Centre Management Team approval to the expenditure or its financing, but the Council is now considered to be contractually committed to this expenditure.
- 3.4.2 The board will be sited on the first floor external wall of the Co-op Store on the corner of East Street and Exchange Street. It will display advertising and public information, raising revenue from advertisers. Jayex will install and manage the board. It will provide a 24/7 service, with a mixture of paid adverts and public information, the latter being apportioned to the Council. The scheme therefore has some potential benefits for the City beyond the financial considerations. It will also enable the Council to demonstrate some e-Government outputs, as the public information can be displayed in a variety of forms and various languages.
- 3.4.3 The capital cost of the board is £84,500. £30,000 of this cost is to be met from City Centre Management reserves, subject to the additional approval of the CCMT Board. It is proposed that the remaining £54,500 be found from the corporate Pump Priming Fund.
- 3.4.4 The board will generate a stream of income to repay the Council's costs, and it is expected that the £54,500 will be recovered within 5 years and possibly earlier. Current estimates are for a return on the capital investment, net of running costs, of £6,500 in 2004/5 and £12,000 in each subsequent year.
- 3.4.5 After the Council's contribution is recovered, income from the board will be passed on to the CCMT, which will reduce its call on Council revenue support. This reflects a pledge made to the Leader of the Council by the current CCMT Chair, shortly after his election. It is part of an exercise to make CCMT more self-financing and more active in promoting the City Centre to visitors, shoppers and investors.

- 3.4.6 The income estimates are subject to the commercial success of the scheme. If income exceeds expectations, the pump priming fund will be repaid more rapidly than planned. If cumulative net income is less than expected in any year, costs will be charged to the existing Development and Cultural Services budget and found within the existing budget, through savings to be identified. Alternatively, a further contribution may be sought from CCMT.

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Phase 1 of Education Capital Programme 2004/5

IMPLICATIONS

1. Financial

As set out in the report

2. Legal

As set out in the report.

3. Personnel

None.

4. Corporate Objectives and Priorities for Change

- Recommendations 1 to 4 accord with the Council's objective of Education and the priority of Tackling under-achievement in schools.
- Recommendations 5 to 7 accord with the Council's objective of shops, commercial and leisure activities and the priority of Promoting the City.

APPENDIX 2

FIRST PHASE OF 2004/5 EDUCATION CAPITAL PROGRAMME

2004/2005 NDS Modernisation Funding - New Schemes

School Name	Theme	Description	Cost of scheme	Possible Devolved Contribution	Cost to Capital Programme	Ward	Quarter
Heating / Mechanical Schemes							
Weatherfoil Heater Replacement	Heating/Asbestos	Continuation of Weatherfoil heater replacement. (Asbestos)	£100,000	£0	£100,000	Various	1Q 2004/5
Primary							
Alvaston Junior	Heating	Replacement of corroded under floor pipes to prevent heating failure.	£200,000	£29,825	£170,175	Alvaston	2Q 2004/5
Cavendish Close Infants	Heating	Full replacement of heating mains pipework. This is the second phase of work. Project will include the replacement of hot water calorifiers and rationalisation of associated pipework. These units have currently failed.	£163,000	*£0	£163,000	Chaddesden	2Q 2004/5
Chaddesden Park Juniors	Rewire	Electrical Re-wire. AMP priority.	£191,000	£21,218	£169,782	Chaddesden	2Q 2004/5
Markeaton Primary	Heating	Replacement of cast iron heating / pipework system to prevent heating failure.	£130,000	£25,585	£104,415	Darley	2Q 2004/5
Oakwood Infant	Boilers	Replacement of boiler and heating distribution system to prevent heating failure.	£110,000	£22,829	£87,171	Boulton	2Q 2004/5
Silverhill Primary	Rewire	Electrical Re-wire. AMP priority.	£217,000	£27,027	£189,973	Mickleover	2Q 2004/5
Secondary							
Bemrose Community	Rewire	Urgent partial electrical re-wiring work.	£211,500	**£0	£211,500	Abbey	2Q 2004/5
Chellaston Secondary	Boilers	Replacement of two obsolete coal fired boilers. Heating system has failed in a number occasions.	£305,000	£96,245	£208,755	Chellaston	2Q 2004/5
Sinfin Community	Rewire	Urgent partial electrical re-wiring work	£250,000	£72,522	£177,478	Sinfin	2Q 2004/5

School Name	Theme	Description	Cost of scheme	Possible Devolved Contribution	Cost to Capital Programme	Ward	Quarter
Condition Projects							
Clasp Survey and Hills Surveys	Structural	To undertake work resulting from intrusive surveys, to prevent structural hazards such as falling concrete cladding panels and unsafe flat roofs.	£200,000	£0	£200,000	Various	1Q 2004/5
Glazing Surveys		Works required to upgrade existing glazing in critical locations as required under the Workplace (Health, Safety and Welfare) Regulations: 1992. AMP priority in line with DfES requirements.	£273,000	£0	£273,000	Various	1Q 2004/5
Primary							
Alvaston Infant	Structural	The existing felt roof is exhausted and allowing water ingress damaging finishing and the structural frame. Proposed project will re-felt flat roofing, flashing and upstands and replace roof lights.	£165,000	£23,507	£141,493	Alvaston	2Q 2004/5
Ashgate Primary	Structural	Urgent retaining wall, masonry and window works. Re-roofing, including part replacement of roof deck. Replacing corroding steel handles which hold in place concrete cladding panels. D1/2 AMP priority.	£60,950	£27,747	£33,203	Mackworth	1Q 2004/5
Borrow Wood Infant	Roof	Re-roofing project following urgent issues identified in CLASP condition survey.	£148,550	£18,292	£130,258	Spondon	2Q 2004/5
Borrow Wood Juniors	Structural	Significant Health and Safety issues with corroded cladding and loose panels. Undertake holding work to secure and replace corroded panels. D1 priority	£109,000	£22,278	£86,722	Spondon	1Q 2004/5
Cavendish Close Infants	Cladding	High-level slate roof replacement. Existing roof is presenting a health and safety danger from slipping slates. Scheme will prevent further water ingress, resulting in dry rot in roofing timbers. AMP priority.	£200,000	£25,288	£174,712	Chaddesden	1Q 2004/5
Pear Tree Community Junior	Roof	Partial roofing to main hall. (Additional works linking to roofing scheme previously approved.)	£250,000	£23,211	£226,789	Arboretum	2Q 2004/5
Reigate Primary - Junior B Block	Roof		£42,000	***£0	£42,000	Mackworth	2Q 2004/5
Secondary							
Bemrose Community	Structural	Repairs to external structural cracks. AMP priority	£115,000	£58,466	£56,534	Abbey	2Q 2004/5

School Name	Theme	Description	Cost of scheme	Possible Devolved Contribution	Cost to Capital Programme	Ward	Quarter
Other							
PRU (Newtons Walk)	Structural	Building at risk. Replacement of life expired toilet block.	£40,000	****£0	£40,000	Darley	Q 2004/5
Suitability / Modernisation Projects							
There are significant suitability issues at St Giles School with the complex needs of SEN pupils. This project is to target a wide range of issues and ensure accommodation is suitable for pupils with severe learning difficulties. The project is for a double classroom extension linked to main school building, including medical room and toilets.						Derwent	Q 2004/5
St Giles Special School			£347,000	£20,370	£326,630		
TOTAL			£3,828,000	£514,410	£3,313,590		

*Cavendish Close Infants previously contributed to the heating replacement scheme in phase 1. The school will be asked to contribute 04/05 devolved funding to the condition project.
**Bemrose will be asked to contribute 04/05 devolved funding to the condition project.

*** Reigate Primary School has contributed devolved funding to this roofing project. This is additional work linked to this project.

**** The PRU has already contributed 04/05 Devolved Capital to urgent condition works at the Pear Tree Building on the Village Site.

Variations to previously approved projects				
School	Description	Additional 04/05 NDS Modernisation	Ward	Quarter
Littleover Community School	Construction of technology block previously approved, with a budget of £645,000 inc. school's contribution £215,000. Following detailed design work and the need for additional drainage and electricity supply work; the scheme is estimated to cost £808,913. The proposal is to fund the shortfall of £163,913 from 04/05 NDS Modernisation funding.	£163,913	Littleover	3Q 2005
West Park Community School	Replacement Cladding project previously approved with a budget of £300,000 inc. school's contribution of £87,926. Following detailed design work and asbestos issues, the project is estimate to cost £400,000. The proposal is to fund the £100,000 shortfall from 04/05 NDS Modernisation funding.	£100,000	Spondon	1Q 2004/5
		£263,913		

Variations to Targeted Capital Funded Project				
School	Details	Additional 04/05 NDS Modernisation Funding	Ward	Quarter
Bemrose Community	This was a major capital project for significant condition and modernisation works at Bemrose and Sinfin Schools, with a budget of £3 million. Accounts are now being finalised. There is £70,000 overspend with the Bemrose project relating to a five-week extension as a result of difficulties with major heating works and the need for additional roofing works identified on site.	£70,000	Abbey	4Q 2003/4