

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:
- changes to the capital programme
 - receipt of additional funding from the Department for Communities and Local Government – DCLG
 - to approve a revenue grant application to the Arts Council England
 - receipt of additional funding from NHS Derby City Council
 - receipt of additional funding from the Department for Work and Pensions
 - award of contract to other than lowest tender
 - technical adjustments to the 2012/13 budget.

RECOMMENDATION

- 2.1 To approve changes and additions to the capital programme as set out in Appendix 2 and highlighted in section 4.
- 2.2 To note the revised programme for 2011/12 in table 1 (paragraph 4.1) and the revised indicative programme for 2012/13-2014/15 as shown in table 2 (paragraph 4.6).
- 2.3 To approve the scheme commencements set out in Appendix 3.
- 2.4 To approve the allocation of an additional £105,723 received from the DCLG to the Adult Health and Housing revenue budget in 2011/2012 and 2012/13.
- 2.5 To approve an application for £394,500 external funding from Arts Council England Strategic Funds funding for the Museums transformation programme and delegate the acceptance of any award to the Strategic Director of Neighbourhoods and the Cabinet Member for Leisure and Culture.
- 2.6 To approve an additional allocation of £208,650 to the Neighbourhoods revenue budget to be received from NHS Derby to extend the b-You project.
- 2.7 To approve an additional £51,256 to the Resources revenue budget in 2012/13 for additional funding received from the Department for Work and Pensions - DWP - for Housing Benefit Transition Funding.
- 2.8 To award a contract of £79,168 for the demolition of Yarmouth House to Humphries Demolition.

- 2.9 To approve the revised directorate level net budget allocations outlined in Appendix 4 resulting from the technical adjustments detailed in section 11.

REASONS FOR RECOMMENDATION

3. To comply with the Council's Contract and Financial Procedure rules regarding approval for proposed changes to the capital programme.

SUPPORTING INFORMATION

4. UPDATE ON CAPITAL PROGRAMME 2012/13 – 2014/15

4.1 Forecast Outturn

Table 1 - Revised Capital Programme 2012/13

Programme	Approved Capital Programme as at 13 December 2011	Slippage and revisions approved to 13 March Cabinet	Latest Approved (13 March Cabinet) Capital Programme	Further Revisions (Appendix 2)	Revised Programme
	£000's	£000's	£000's	£000's	£000's
Children and Young People	34,647	(154)	34,492	(1,716)	32,776
Highways and Transport	4,230	1,908	6,138	0	6,138
Property	18,100	9,549	27,649	0	27,649
Leisure and Culture	10,862	48	10,910	0	10,910
Waste & Cleansing	1,546	69	1,615	0	1,615
Flood Defence	75	113	188	0	188
Regeneration	6,501	7,370	13,871	(399)	13,472
Adult Health	1,117	5,793	6,910	0	6,910
HRA	11,209	0	11,209	0	11,209
Private Sector Housing	2,672	680	3,352	0	3,352
ICT	6,767	2,462	9,229	0	9,229
Contingency	0	81	81	0	81
Sub-total	97,725	27,919	125,644	(2,115)	123,529
Less assumed capital slippage	(9,773)	0	(9,773)	2,115	(7,658)
Total Programme	87,953	0	115, 871	0	115,871

The programme and a breakdown of funding will be included in future quarterly monitoring reports. Details of the changes are shown in Appendix 2 with a summary of some of the larger changes highlighted below:

- 4.2 Strategic Asset Management Board - SAMB - approved the slippage of £2,815,000 to be used towards the over programming forecast in the original capital programme for 2012/13. It was agreed at SAMB that any slippage incurred would go towards funding the over programming until such time that this was met. Any slippage thereafter would be applied to schemes brought forward from 2013/14. As such the assumed capital slippage of £9,773,000 has been adjusted by the £2,115,000 revisions made in this report. The total programme remains at £115.871m.

4.3 **Children and Young Peoples Directorate**

Re-phasing of £1,700,000 from 2012/13 to 2013/14 is required for the Ashgate Primary Capital Programme Scheme in relation to planning approval from English Heritage, as the school is a listed building. The scheme is a complex refurbishment scheme requiring a phased programme of decanting. The contractors are due to begin work on site in July 2012 and the scheme will continue into 2013/14, completing in September 2013.

Cabinet approved a £180,000 scheme for Brookfield Primary School, improvements to Foundation Stage Unit at it's meeting on 21 February 2012. The school have requested approval to increase the scope of the scheme to include an extension and remodelling of the school to create additional staff, meeting and administration office space. The extra works will cost £120,000 and be funded by the school using £55,930 revenue funding and £64,070 school's devolved capital funding. The new scheme total is therefore £300,000. The phasing for 2012-13 remains unchanged at £50,000, with the phasing for 2013/14 rising from £130,000 to £250,000.

4.4 **Property**

Commencement of the Silk Mill Visitor Attraction, phase 1 is a key part of the wider museum transformation programme, which is working to build audiences, engage stakeholders and attract inward investment.

4.5 **Regeneration**

Rephasing of £399,000 to 2013/14 for the regeneration fund is required following a review of schemes and specific scheme allocations. The balance is likely to be spent in 2013/14.

- 4.6 Table 2 shows the revised 2012/13 – 2014/15 indicative programme with the changes from above incorporated.

Table 2 Revised Indicative Programme 2012/13 -2014/15

Strategy Area	2012/13 £000	2013/14 £000	2014/15 £000
Children and Young People	32,776	13,629	6,898
Highways and Transport	6,138	7,348	6,155
Property	27,649	5,349	2,000
Leisure and Culture	10,910	31,754	7,805
Waste and Cleansing	1,615	26,998	416
Flood Defence	188	0	0
Regeneration	13,472	6,066	2,600
Adult Health	6,910	400	0
HRA	11,209	9,460	8,580
Private Sector Housing	3,352	2,440	700
ICT	9,229	467	839
Contingency	81	0	0
Sub-total	123,529	103,911	35,993
Less assumed capital slippage	(7,658)	(10,375)	(3,423)
Adjustment for slippage of over-programming from prior year	0	7,658	10,375
Total Programme	115,871	101,194	42,945

5. S106 Contributions

It was agreed through the S106 working group that any allocation of S106 monies would be reported to Cabinet during the year to inform members what specific contributions are intended to be used for. The commission reports taken in January and February 2011 detailed the allocations for the 2011/12 capital programme, however any in year allocations are reported through the monthly financial matters reports, and quarterly capital monitoring reports, as they arise.

Section 106 Funding has not changed in the current period and there are no new allocations that require reporting.

6. Preventing Repossessions Fund

- 6.1 The Preventing Repossessions Fund is being allocated to every local housing authority in England to enable them to offer struggling homeowners small interest free loans of less than £5,000 or grants to help ease debt pressures.
- 6.2 It is recommended that the additional funding of £105,723 is added to the Adults Health and Housing revenue budget for 2011/2012 and 2012/2013. Due to the timing of the allocation it is unlikely that this will be utilised fully in 2011/2012 against expenditure incurred on this programme. The balance will be held in Adults Health and Housing reserves for allocation in 2012/2013.

7 Arts Council Funding – Transitional and Strategic Funding

- 7.1 The Derby/Nottingham Museums bid to Renaissance Major Grants Programme was unsuccessful but the Arts Council have said they recognise the potential in it. The Arts Council has therefore indicated that it will solicit a bid from the Derby/Nottingham partners to the Strategic Funds element of the Renaissance scheme. The additional financial support of Arts Council England to city council core revenue support is essential to business planning for the Derby Museums Trust.
- 7.2 In addition Derby Museums are negotiating with ACE in respect of Transitional Funding. This is a short term programme in 2012/13, implemented from 1 April 2012, which will help Derby Museums continue to develop whilst the Strategic Funding application is in preparation. The level of revenue support is currently being negotiated but is likely to be approximately £394,500.
- 7.3 The Transitional Funding support is focused on supporting two specific areas that are integral to the Transforming Museums Programme, and require immediate continuity of investment. These are:
- development support towards establishing the new charitable trust for Derby Museums
 - revenue support for the on-going re-development of the Silk Mill.
- 7.4 The funding will include provision for four 12 month posts from 1 April 2012. These posts are:
- Silk Mill Development Manager
 - Silk Mill Development Officer
 - Project Administrator
 - Business Manager / Business Director Designate (New Trust).

Funding is also available towards other costs associated with the two areas of investment detailed in Para 7.3. There are no match funding requirements on the Council.

- 7.5 It is recommended that submission of a bid for £394,500 to the Arts Council England is approved and authority to accept any award is delegated to the Strategic Director of Neighbourhoods and the Cabinet Member for Leisure and Culture.

8. NHS Derby Funding – b-You project

- 8.1 The Leisure and Cultural Development Division was commissioned by NHS Derby City to provide a pilot Healthy Living Coaching Programme for adults. The pilot for the programme known as b-You runs from 1 June 2011 to 31 May 2012. NHS Derby City has confirmed that they will fund a ten month extension of the pilot from 1 June 2012 to 31 March 2013 whilst a formal procurement process runs in parallel to extend the project across the city. The funding for the ten month extension has been agreed with NHS Derby City for £208,650, with an additional recruitment figure of 627 patients. The extension funding will cover the costs of all staffing and resources required during the extension period.
- 8.2 It is recommended that this additional funding is added to the Neighbourhoods 2012/13 revenue budget to deliver the b-You extension.

9 Housing Benefit Transition Funding

- 9.1 On 30 November 2010 ministers announced funding of nearly £50million to support Housing Benefit changes. The 2012/2013 transitional funding for Derby City Council is £51,256. It is the Governments intention that these funds are used to provide targeted support to help meet the housing needs of claimants affected by Housing Benefit reform.
- 9.2 It is recommended that the transitional funding is added to the Resources 2012/13 revenue budget, to support implementation of the changes.

10 Contract Award

- 10.1 The Council is contributing two sites to the Housing PFI Project in Durley Close in Alvaston and Arnhem Terrace/Craddock Avenue in Spondon. These are designated housing land and will allow the development of 93 of the 104 new homes being developed as part of the Project.
- 10.2 Under the PFI contract negotiated, the Council is responsible for ensuring the sites are cleared before construction starts. A competitive tender process has been run and enquires sent to 9 demolition companies.
- 10.3 The 2 most competitive quotes received were for £48,000 and £62,000. However detailed checking of the companies revealed the most competitive company had recently gone into liquidation and is now trading under a different name. Significant concerns were also raised about the financial standing of the second company.
- 10.4 It is recommended that the contract to demolish Yarmouth House is awarded to the third most competitive quote, received from Humphries Demolition, to the value of £79,168.

11. Technical Adjustments

Review of Inflation and Recharge Outside General Fund Income Assumptions

- 11.1 As part of the 2012/13 budget setting process the Council makes assumptions about the expected levels of inflation. Inflationary increases are then included for all relevant services, creating a net budgetary pressure which is addressed through the budget process. Inflation for 2012/13 was generally assumed to be 4%, with alternative rates charged for some specific areas where inflation is particularly high or volatile, such as Energy and Fuel.
- 11.2 Support services such as finance, HR, ICT, legal services, insurance and accommodation are recharged across Council services. This enables a total cost of service including overheads to be calculated. Most are charged to services within the General Fund, which is the core part of the Council's budget with an impact on the Council Tax. However, some charges are made to services outside the General Fund such as Derby Homes, the Housing Revenue Account - HRA - and Trading accounts. There are also charges to services within the ring-fenced Dedicated Schools Grant - DSG. These Recharges Outside the General Fund - ROGF - generate income for the support services.
- 11.3 A full review of inflation and ROGF has now been carried out to calculate a revised position which requires adjustments to be made. These technical adjustments across a number of services give rise to a net budget saving of £320,000.
- 11.4 It is recommended that this saving is transferred to the corporate contingency budget and used to offset unforeseen costs which may arise during the financial year. There is no change to the Council's net budget requirement or Council Tax requirement as a result of these adjustments.

Reallocation of Budgets

- 11.5 Many budgets have historically been reported as Corporate even though they were managed and delivered by individual Directorates. These budgets are now reported with the responsible Directorates. The remaining Corporate budgets include cross departmental savings and contingencies and the Corporate Treasury Management budget.
- 11.6 The majority of these budgets are reported under the Resources Directorate as services such as benefits, insurance, external audit fees and members allowances are managed by officers in this Directorate. The only notable exception is Concessionary Fares now reported within the Neighbourhoods Directorate. The budget summary presented in Appendix 4 has been adjusted to reflect these changes.
- 11.7 The relocation of budgets also includes services and budgets that have been centralised or transferred between directorates.

OTHER OPTIONS CONSIDERED

12. None

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Martyn Marples (Director of Finance and Procurement)
For more information contact: Background papers: List of appendices:	Name Mark Nash 01332 643364 e-mail mark.nash@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Summary of further changes to the capital programme 2011/2012 Appendix 3 – Scheme Commencements

IMPLICATIONS

Financial and Value for Money

- 1.1 As detailed in the report and associated appendices.

Legal

- 2.1 None directly arising.

Personnel

- 3.1 None directly arising.

Equalities Impact

- 4.1 None directly arising.

Health and Safety

- 5.1 None directly arising.

Environmental Sustainability

- 6.1 None directly arising.

Asset Management

- 7.1 As detailed in the report.

Risk Management

- 8.1 As detailed in the report.

Corporate objectives and priorities for change

- 9.1 These recommendations where relevant are in line with approved capital strategy and Asset Management Plans which accord with the Council's corporate priorities.

Appendix 2

Summary of further changes to the capital programme 2012/2013	Latest Approved Capital Programme 2012/13 £000	Revised Capital Programme 2012/13 £000	Change £000	Category
Children & Young Peoples Directorate				
Ashgate Primary Capital Programme Scheme	3,717	2,001	(1,716)	S
Total changes to Children and Young Peoples Directorate	3,717	2,001	(1,716)	
Regeneration				
Regeneration Fund	4,350	3,951	(399)	S
Total changes to Regeneration	4,350	3,951	(399)	
TOTAL CHANGES TO PROGRAMME	8,067	5,952	(2,115)	

	Key of Categories	
	A	Additional schemes from new funding secured
	A1	Scheme increase funded by previous years reserves income
	S	Re-phasing
	F	Funding Switch
	R1	Other Adjustments - Scheme Reductions/Increases
	Re-allocation:	
	R2	Within Department's programme
	R3	To different Departments programme

Scheme Commencements

Approval is sought for the following scheme commencements. Proposed funding details are shown below.

Scheme	2011/12 £000	2012/13 £000	2013/14 £000	Total £000
Expenditure:				
Silk Mill Visitor Attraction, phase1	5	175	500	680
TOTAL	5	175	500	680
Funded from:				
Supported Capital Expenditure (Capital) Single Capital Pot	5	175	500	680
TOTAL	5	175	500	680

Overall Summary by Directorate - Revenue Budget 2012/2013
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SERVICE ACTIVITY	Approved Controllable 2012/13 Budget £000's	Technical Changes		Final Controllable 2012/13 Budget £000's	Uncontrollable		Total 2012/13 Budget £000's
		Adjustments to Inflation & ROGF (note 1) £000's	Reallocation of Services (note 2) £000's		Support Services (note 3) £000's	Capital Charges (note 3) £000's	
Adults, Health and Housing	69,835	(520)	(430)	68,885	4,702	487	74,074
Chief Executive's Office	4,786	98	(2,148)	2,736	(428)	453	2,761
Children and Young People	42,740	(221)	581	43,100	6,046	8,700	57,846
Neighbourhoods	47,375	(792)	8,413	54,996	2,277	8,735	66,008
Resources	16,785	1,233	4,804	22,822	(13,101)	1,129	10,850
Corporate Budgets and Contingencies	38,200	202	(11,220)	27,182	504	(19,504)	8,182
Total Net Budget	219,721	0	0	219,721	0	0	219,721

Note 1

Reductions in inflation are mainly due to indicative modelling of contract inflation. Several large contracts within AHH and CYP will attract inflation at a lower level. This allows for indicative inflation to be removed from directorates without a negative effect. ROGF budgets have also been realigned to a more accurate position. The balance of £320,000 is included within Corporate Budgets and Contingencies.

Note 2

Reallocation of services includes:

- services transferred from corporate budgets to directorates delivering the service
- services transferred across directorates e.g. City and Neighbourhood Partnership transferred from CEO to Neighbourhoods
- centralisation of budgets to enable service development e.g. cleaning and business support

Note 3

Uncontrollable budgets such as capital charges and indirect overhead costs are reapportioned to give a true service cost. This reallocation is required by the Service Reporting Code of Practice but does not affect the budgets controlled by directorates.