



Derby City Council

COUNCIL CABINET
30 April 2014

Report of the Cabinet Member for Business,
Finance and Democracy

ITEM 16

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 current 2014/15-2016/17 capital programme
 - transfer to reserves
 - use of budget risk reserve.

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 2014/15 in table 1 (paragraph 4.1) and the revised indicative programme for 2014/15-2016/17 as shown in table 2 (paragraph 4.5).
- 2.3 To approve the transfer to reserves detailed in section 6.
- 2.4 To approve the use of the budget risk reserve to settle outstanding pension strain cost as detailed in section 7.

REASONS FOR RECOMMENDATIONS

- 3.1 To comply with the Council's Contract and Financial Procedure rules.

**SUPPORTING INFORMATION****4. UPDATE ON CAPITAL PROGRAMME 2013/14 – 2015/16****4.1 Forecast Outturn****Table 1 - Revised Capital Programme 2014/15**

Strategy Area	Original Approved Capital Programme	Revisions Approved to 12 March cabinet	Latest Approved 12 March Cabinet) Capital Programme	Further Revisions (Appendix 2)	Revised Programme
	£000's	£000's	£000's	£000's	£000's
CYP	22,289	(1,209)	21,080	2,510	23,590
Housing General Fund	2,758	1,880	4,638	0	4,638
Property Improvement	4,694	103	4,797	0	4,797
Property Maintenance and refurbishment	5,926	(140)	5,786	0	5,786
Parks and Open spaces	2,078	(153)	1,925	0	1,925
Flood Defence	250	0	250	0	250
Highways and Transport	8,684	301	8,985	0	8,985
Streetpride Plant and equipment	1,970	311	2,281	0	2,281
Regeneration	49,608	1,835	51,443	573	52,016
ICT	3,882	0	3,882	0	3,882
HRA	19,439	(135)	19,304	0	19,304
Strategic Projects	14,430	4	14,434	(1,249)	13,185
Sub-total	136,008	2,797	138,805	1,834	140,639
Less assumed capital slippage at 10%	(13,601)		(13,601)		(13,601)
Total	122,407		125,204		127,038

Details of the changes are shown in Appendix 2 with a summary of those changes over £200,000 highlighted below.

4.2 Schools

The Schools Programme requires net changes totalling an increase of £2,510,000. This is made up of the following ...

- £2,257,000 re-allocation of the Osmaston primary school refurbishment project previously approved on the regeneration programme. The project delivery will now form part of the schools programme for scheme progress reporting and monitoring, however responsibility for securing the developer contributions to repay borrowing remains with the regeneration department.
- £142,000 addition for the St Giles Special School improvements. The school will be contributing additional funding to the capital programme.
- £111,000 addition for a new scheme to purchase vehicles for children's homes in order to generate cost savings from the current service vehicle lease arrangements. This scheme's borrowing costs will be met from these savings.

4.3 Regeneration

The Regeneration Programme requires a net increase of £573,000 as a result of:

- £2,257,000 re-allocation of the Osmaston primary school refurbishment project to the schools programme.
- £2,240,000 increase due to the addition of the Railway Technology Centre Business Park project. The Railway Technical Centre Business Park is an integral part of Derby's Regional Growth Fund - RGF - Programme. The total project costs are £6m which will be funded through a £2.24m Regional Growth Fund grant matched with a £3.8m contribution from the project managers and site owners, London and Continental Railways - LCR. The project supports Derby's key sectorial strengths in the rail sector and associated industries and will maintain in the city, a leading rail research and development centre. The RTC Business Park is one of the major employment sites in Derby and home to a workforce of over 1,100. Most of this workforce is highly skilled – in technical and professional roles. The improvements will ensure the RTC continues to meet the demands of the rail market and will, bring accommodation up to the standard expected in the current market place. This project forms part of the £40m Regional Growth Fund programme awarded to Derby City Council.
- £590,000 increase due to the re-profiling of the Innovation Hub scheme and the allocation of additional corporate borrowing previously agreed for this project at 11 September 2013 Council Cabinet.

4.4 Strategic Projects

The Strategic Projects Programme requires a decrease of £1,249,000 due to the following:

- £1,399,000 re-phasing of the Extracare - Homes for the Elderly scheme. This is as a result of changes in the commencement dates of various projects within the scheme to 2015/2016.
- £150,000 addition of a new scheme – Living well Recovery Support. This new scheme is a result of a successful bid to Public Health England and is to help support drug and alcohol recovery in Derby.

- 4.5 Table 2 shows the 2014/15 – 2016/17 indicative programmes incorporating the changes from above.

Table 2 Revised Indicative Programme 2014/15 -2016/17

Strategy Area	2014/15 £000	2015/16 £000	2016/17 £000
CYP	23,590	12,416	14,272
Housing General Fund	4,638	2,382	1,887
Property Improvement	4,797	4,316	5,390
Property Maintenance and Refurbishment	5,786	4,300	2,037
Parks and Open Spaces	1,925	854	93
Flood Defence	250	250	250
Highways and Transport	8,985	4,500	10,490
Streetpride Plant and Equipment	2,281	2,114	560
Regeneration	52,016	5,633	2,269
ICT	3,882	200	0
HRA	19,304	15,790	19,140
Strategic Projects	13,185	31,418	48,180
Sub total	140,639	84,173	104,568
Less assumed capital slippage	(13,601)	(8,417)	(10,457)
Adjustment for slippage of over-programming	0	13,601	8,417
Total Programme	127,038	89,357	102,528

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. Any in- year allocations are reported through the monthly contract and financial procedures matters reports and quarterly capital monitoring reports as they arise. There are currently no changes to report.

6 **Transfers to Reserves**

Neighbourhoods

- 6.1 It is recommended that £200,000 is transferred from the Neighbourhoods directorate 2013/14 revenue budget into the multi use sports arena reserve to fund running costs of the arena in the short to medium term as a result of other sports facilities continuing to operate longer than originally anticipated.

Children and Young People

- 6.2 It is recommended that a total of £850,000 is transferred back to reserves from the Children and Young People's directorate 2013/14 revenue budget. The total directorate use of reserves is now £1.15m reduced from the £2m previously applied.

Corporate Budgets

- 6.3 Following an undersubscribed capitalisation process, on April 2 2014, the council was notified that it would receive an additional £0.4m revenue grant as part of the redistributed surplus. This additional grant income is unbudgeted in 2013/14.
- 6.4 It is recommended that the additional revenue grant from the capitalisation redistribution is transferred to the budget risk reserve in 2013/14.

7 Use of Budget Risk Reserve

- 7.1 As a result of the number of early retirements over the last few VR/VER processes the Council is expecting an increased pension strain of £2.67m. The exact figure will be confirmed by the County Council when they have completed the 2013/14 year end. This cost cannot be added to the Council deficit as in previous years and so will need to be settled with the pension fund.
- 7.2 Funding for this cost can be realised from a number of areas:
- £0.5m base budgets – as a result of changes in the LGPS scheme and the Council's own pay strategy, the forecast pensionable pay for 2014/15 has increased. This has effect of lowering the deficit contribution and will allow reduction in contribution rates to be removed from base budgets.
 - £0.5m approved budget – the 2014/15 approved budget includes £0.5m for pension costs.
 - £1.67m – the remaining amount will need to be funded from budget risk reserve.
- 7.3 Due to the accounting treatment of the pension strain the whole amount will need to be funded from the budget risk reserve in 2013/14 and then £1m repaid in 2014/15.
- 7.4 In 2015/16 it is expected pension contribution rates will need to increase but the one off use of the budget risk reserve should allow a potential on going saving of c £0.9m from 2015/16.
- 7.5 It is recommended that once the Council has received a final pension strain cost that it is funded as detailed in paragraph 7.2.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Martyn Marples Director of Finance and Procurement
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For more information contact: Background papers: List of appendices:	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 2014/15
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IMPLICATIONS

Financial and Value for Money

1.1 As detailed in the main body of the report and 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.

Property and Asset Management

7.1 As detailed in the main body of the report and appendices.

Risk Management

8.1 As detailed in the main body of the report and appendices.

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 2013/2014	Latest Approved Capital Programme 2014/15 £000	Revised Capital Programme 2014/15 £000	Change £000	Category
Children and Young People				
St Giles Special School expansion	690	832	142	R1
Osmaston Primary School refurbishment	743	3,000	2,257	R3
Children's Homes Vehicle Purchase	0	111	111	A
Total Changes to Children and Young people	1,433	3,943	2,510	
Regeneration				
Railway Technology Centre	0	2,240	2,240	A
Osmaston Primary School	2,257	0	(2,257)	R3
Innovation Hub	8,770	9,360	590	A
Total Changes to Regeneration	11,027	11,600	573	
Strategic Projects				
Extra Care – Homes for the Elderly	1,399	0	(1,399)	S
Living Well Recovery Support	0	150	150	A

Total Changers to Strategic Projects	1,399	150	(1,249)	
TOTAL CHANGES TO PROGRAMME	13,859	15,693	1,834	

Key of Categories	
A	Additional schemes from new funding secured
A1	Scheme increase funded by previous years' reserves income
S	Re-phasing
R1	Other Adjustments - Scheme Reductions/Increases