



Financial Procedure Matters Report

RECOMMENDATION

- 1.1 To approve an addition of £16.1m to the Public Sector Housing Capital programme for 2004/5
- 1.2 To note a £350,000 allocation to individual schemes from the E-Derby budget as detailed at paragraph 2.2
- 1.3 To approve the acceptance of a tender other than the lowest from Foundation Software Solutions to supply the central pupil database and admissions module
- 1.4 To approve the increase of £41,000 to the approved cost for the demolition of the Hastings Building following the tender process.
- 1.5 To approve the waiving of contract procedure rules to award a contract to the Children's University for the Gifted and Talented Summer School 2004.
- 1.6 To approve a revenue budget virement of £15,000 from Education department sport and leisure to Corporate Services department property services.

SUPPORTING INFORMATION

2.1 Public Sector Housing Capital Programme

2.1.1 The Office of the Deputy Prime Minister, ODPM, announced on 1 April 2004 that some Councils with Arms Length Management Organisations, ALMOs, could have additional permission to borrow, SCE(R). In Derby's case, Derby Homes' submission of a Building Cost Model, BCM, to the ODPM resulted in an increase in the SCE(R) issued to the Council of £16.1m. The original total has therefore been increased to £97.18m over the life of the programme.

2.5.-17 As a result of this, the Council will attract additional Housing Revenue Account Subsidy in future years based on the new, increased total. This means that the Council's HRA can now afford to borrow the additional £16.1m to allow an increase in the programme of the same amount, as shown in Appendix 2. This will result in the overall programme being completed on schedule, and hopefully earlier – with a new target to finish the whole programme by the end of 2005. This will ensure the Council achieves the Decent Homes target by 2006.

2.5.-16 The additional allocation will cover the cost of servicing of the debt, and it is believed that until 2009/10 it will also include a 'bonus' as the borrowing is covered at 8% rather than at cost, although this has only been confirmed verbally rather than in writing. The only long-term difficulty is that, as the government no longer funds any element of debt repayment, the HRA will have a permanently increased debt. The government's Housing Revenue Account Subsidy system will, however, cover the cost in future years at cost, and until 2009/10 at 8%.

2.5.-15 It will also prove necessary to update the Council's prudential indicators for capital to reflect this increase in supported borrowing. This will be reported separately as part of a review of all those indicators.

2.5.-14 E-Derby budget allocations

2.2.1 In line with the E-Derby strategy approved by Council on 16 September 2003, the E-Derby board has approved a further £350,000 allocation from the £999,000 available, to the following two schemes:

Microsoft Sharepoint Portal Server and Biztalk £250,000 for capital cost

Sharepoint is essentially a knowledge management tool. It will enable us to develop a standard desktop for all users on the network. This standard desktop will have simple and streamlined access to all the information and tools they need for their job. It also provides the means to manage documents and information more effectively, as well as a powerful search engine to find information quickly and easily.

Biztalk will be the means by which information can be integrated across the council. It will enable business processes to be streamlined and fully automated, connecting systems, locations and people into one coherent whole. It will be a key component in delivering effective and excellent customer service through the management of information through the customer relationship management system.

Both these applications are important elements within the council's ICT infrastructure and they provide a strong platform to support the delivery of the government priority service outcomes recommended for 2005.

On-line booking system for three sports centres £100,000 for capital cost

This will provide an on-line booking system for sports activities at Moorways Sports Complex, Queen's Leisure Centre and Springwood Leisure Centre. It is the first stage of a longer term project to develop a line of business integrated customer relationship management system for Sport and Leisure that will reshape how the service interfaces with its customers and interacts with other stakeholders. Management information generated by the system will make the service more efficient and effective.

The total project cost is £120,000. In addition to the capital costs there will be £20,000 revenue costs for which departmental funding from the Sports and Leisure budgets is available.

2.2.2 Cabinet is asked to note these allocations. These allocations will be added to the relevant department's revenue and capital budgets.

2.5.-13 Acceptance of a tender other than the lowest

2.5.-12 Currently, parents apply for school places directly to the LEA maintaining the school or to the school itself, where that school is its own admissions authority. As a result, a parent can receive multiple offers, one from each admissions authority. The Government has introduced a co-ordinated Admission system, which will commence operation during the autumn term 2004. This involves each admission authority exchanging information and, at the end of the process, parents receive only one letter. These new Admissions arrangements mean the Education Service will now deal with all pupils transferring from primary to secondary schools for Derby residents.

2.5.-11 The current small database systems for Admissions and central pupil database were written in-house using Microsoft Access and are not linked. These are inadequate for the increased volume and complexity of the new system. A proposal to purchase software from one of the leading suppliers of LEA software systems was considered for e-Derby funding and an allocation of £80,000 was approved.

2.5.-10 Tenders were received from the three major companies in the field, all highly respected and stable companies with products capable of running effectively. Interviews with these suppliers have taken place together with demonstrations and follow up on reference sites.

2.5.-9 The interviews helped to ensure a like-for-like comparison of costs. Optional elements have been identified to ensure fair comparison. There was a significant difference in the number of days suggested for training and implementation. These varied between 8 days and 40 days. It is likely that there will be little difference in the requirements for training and this factor has been ignored in the final analysis, and cost below. It is estimated that training and implementation will cost about £25,000.

2.5.-8 The tender sums for the comparable elements for software were as follows:

Company	One-off Acquisition Cost	On-going Annual Support Cost
A	£42,700	£9,087
B	£41,888	£11,820
Foundation Software Solutions	£47,500	£14,250

The one-off cost can be contained in the total budget allocated from E-Derby. The on-going costs have been provided for in the Education revenue budget.

2.5.-7 The system rests heavily on transferring data to and from our schools, where these are their own admissions authorities. However, far more significantly, large quantities of data must be exchanged with Derbyshire LEA. Experience with other new systems has shown that two companies working from the same specification provided by Department for Education and Skills (DfES) has been subject to separate interpretation leading to problems importing data from one system to another. A few months ago Derbyshire County Council selected Foundation

Software Solutions to provide their central pupil database and Admissions systems, following a procurement exercise.

2.5.-6 Although the tender from Foundation Software Solutions is not the lowest cost it is the preferred tender because:

- following the tender evaluation process, the two Units involved – Admission and Information Management – have expressed a preference for this software,
- there are optional modules offered for GIS (mapping) and to allow web connection by schools that are not available with the other tenderers,
- the selection of Foundation is considered the more secure option given the heavy reliance on the data transfer. The adoption of common software with Derbyshire would reduce the complexity of the process and, in the event of any problem arising, only one company would be involved.

2.5.-5 Under Contract Procedure Rule C24.2 Cabinet is asked, therefore, to approve the acceptance of the tender from Foundation Software Solutions.

2.5.-4 Increase in the cost for the demolition of the Hastings Building

2.5.-3 Council Cabinet on 6 April 2004 approved a new capital scheme to demolish the Hastings buildings at the Village Site at a cost of up to £215,000 to be funded by capital receipts generated from land disposals of the site.

2.5.-2 Following the tender process the lowest tender from Stansfield is £239,000 plus fees making a new total cost of £256,000. Reasons for the increase in costs are:

- asbestos removal method increased time and labour requirements
- site reinstatement more expensive than estimated
- site lighting is being provided and the opportunity is being taken to replace the power sub-main.

2.5.-1 The contract has been let to Stansfield, on grounds of urgency, for a programme of works to the value of the £215,000 already approved, to be able to undertake the major elements of demolition in the school holidays to avoid disruption to the Pupil Referral Unit and Nursery on the Village site. On approval by Cabinet a revised contract value for completion of all works will be agreed.

2.4.4 The £41,000 cost increase will be funded by capital receipts from land disposals of the site. The approved capital programme 2004/2005 will need updating for this change.

2.5.0 Waiver of Contract Procedure Rule C15

2.5.1 Approval is sought under contract procedure rule C6 to waive the tender requirements and award a contract to the Children's University to run the Gifted and Talented summer school 2004. They have been chosen as the preferred specialist providers as they are an established organisation and their material is of high quality. Their philosophy and principles are in line with those of the Council and

there are no other organisations who could offer the same provision with the same experience.

2.5.2 The total contract value is £30,000. This will be funded from Standards Fund grant.

2.6 Revenue budget virement 2004/2005

2.6.1 From 1 April 2004 the contract for water hygiene and legionella precautions which covers Derby City's leisure centres has been taken over by Corporate Services department Property Services division, from Education Sport and Leisure.

2.6.2 The total budget for this work, £15,000, needs transferring to Property Services from Education Sport & Leisure. Under financial procedure rules this requires Council Cabinet approval as it is a budget virement from one department's budget to another.

For more information
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Background papers:

List of appendices:

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Letter 1 April from ODPM, confirming allocation

Appendix 1 – Implications

Appendix 2 – Housing Capital Programme

IMPLICATIONS

Financial

1. As detailed in the report

Legal

2. None

Personnel

3. The additional Housing Capital Programme allocation is likely to make available additional work for Commercial Services as well as Derby Homes' other partners.

Equalities impact

4. Work carried out under the Homes Pride programme has benefited disabled people who have been able to have home adaptations earlier than may otherwise have been the case.

Corporate objectives and priorities for change

5. The recommendations accord with the Council's Objectives and Priorities as follows:
 - **Housing Capital Programme** - this development helps with a number of corporate objectives. **Job opportunities** are likely to result from the additional workload. **Strong and positive Neighbourhoods, protecting and supporting people** and **a healthy environment** are all promoted through the provision of Decent Homes' standard houses
 - **E-Derby budget allocations** – the objectives of improving **shops, commercial and leisure activities** and providing **integrated, cost effective services** and the priorities of **increasing value for money** and a **customer-focused culture** using new technology
 - **Central Pupil database and Admissions module** - the objective of **education** and the priority of **customer-focused culture** using new technology
 - **Gifted and Talented Summer School 2004** – the objective of **education** and the priority of **tackling under-achievement in schools**

APPENDIX 2

Housing Capital Programme 2004/05 - 2005/06	2004/05 Original Budget	2004/05 Revised Budget	2005/06 Original Budget	2005/06 Revised Budget
Public Sector - Housing Revenue Account - HRA	£000	£000	£000	£000
Revised Following Award of Additional £16 Million SCA				
Kitchens and Bathrooms - post war - North	7,250	8,250	6,858	6,058
Kitchens and Bathrooms - post war - South	4,105	5,605	3,794	3,794
Kitchens - pre war	1,211	1,511	1,000	1,000
Bathrooms - pre war	600	800	500	500
Damp Proof Course (DPC) Installation	400	400	400	400
Installation of Burglar Alarms	400	400	164	164
Replacement Warden Call	0	150	0	0
Electrical Upgrades	500	600	500	500
Re-roofing	2,500	3,000	1,944	1,944
Britannia Court Refurbishment	0	800	0	600
Asbestos Removal	500	500	500	500
Cornwall Road Demolitions	0	80	0	0
Refurbishment of Wimpey No Fines Dwellings	2,300	6,800	1,700	1,700
Refurbishment of Unity Dwellings	2,600	2,600	2,100	2,100
Pre war Full Modernisations - including conversion of 4/5 bedroom dwellings	2,000	2,000	1,900	1,900
PVCu Windows	2,000	3,500	1,000	1,189
Replacement of Heatlease Systems	0	0	0	1,000
Replacement Communal Boilers	0	50	0	0
Gas Central Heating	3,700	6,450	1,824	824
City Housing Improvement Plans - CHIPs - large scale	880	1,175	880	880
City Housing Improvement Plans - CHIPs - small scale	320	320	320	320
Adaptations for Disabled People	500	800	300	300
Replacement of Smoke Alarms	0	50	0	0
Crime Prevention Measures	150	150	150	150
Door Entry Systems - individual	100	100	100	100
Door Entry Systems - communal	200	350	200	200
Flat Lobby Refurbishment	150	150	100	100
Local Office Internal Modernisations	0	300	0	0
Common Room Internal Modernisations	0	200	0	0
Disability Discrimination Act Compliance	0	200	0	0
Closed Circuit TV Systems	0	200	0	0
IT Development	125	200	115	115
Conversion of Sheltered Accommodation	100	100	150	150
Home Essentials for Life Programme (HELP) - energy efficiency measures and insulation	0	500	0	500
Capitalised Salaries)	404	404	404	404
Contingency)	467	467	467	467
Total Public Sector - HRA	33,462	49,162	27,370	27,859
Sources of Finance				
Supported Capital Expenditure (Revenue) - SCE (R)	967	967	754	754
Major Repairs Allowance - MRA	7,630	7,630	7,636	7,636
Supplementary Credit Approval - SCA (ALMO)	24,865	40,565	18,980	19,469
Total Financing	33,462	49,162	27,370	27,859