

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 2013/14-2015/16 capital programme.

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 2013/14 in table 1 (paragraph 4.1) and the revised indicative programme for 2013/14-2015/16 as shown in table 2 (paragraph 4.9).
- 2.3 To approve the payment in advance of works being completed on site in line with the standard Scape Connect framework agreement. (paragraph 4.2)
- 2.4 To approve obtaining a Parent Company guarantee from Willmott Dixon and the Advanced Payment Bond required to protect the Council from risks arising from payment in advance of works being completed. (paragraph 4.2)
- 2.5 To approve the acceptance of £216,000 funding from the European Regional Development Fund for the Friargate Studios scheme as detailed in paragraph 4.4.
- 2.6 To request Council approval to enter into contracts for the delivery of Victory Road scheme detailed in paragraph 4.8

REASONS FOR RECOMMENDATIONS

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



Derby City Council

COUNCIL CABINET **22 January 2014**

Report of the Strategic Director for Resources

SUPPORTING INFORMATION

4. UPDATE ON CAPITAL PROGRAMME 2013/14 – 2015/16

4.1 Forecast Outturn

Table 1 - Revised Capital Programme 2013/14

Strategy Area	Original Approved Capital Programme £000's	Revisions Approved to 11 December Cabinet £000's	Latest Approved 11 December Cabinet) Capital Programme £000's	Further Revisions (Appendix 2) £000's	Revised Programme £000's
CYP	15,619	1,040	16,659	0	16,659
Housing General Fund	2,704	1,690	4,394	(205)	4,189
Property Improvement	8,164	(5,147)	3,017	(25)	2,992
Property Maintenance and refurbishment	6,119	(210)	5,909	224	6,133
Parks and Open spaces	832	(309)	523	7	530
Flood Defence	314	13	327	0	327
Highways and Transport	9,483	1,439	10,922	(316)	10,606
Streetpride Plant and equipment	4,645	899	5,544	0	5,544
Regeneration	23,707	1,298	25,005	(633)	24,372
ICT	2,554	1,400	3,954	42	3,996
HRA	11,690	2,816	14,506	110	14,616
Strategic Projects	31,100	(11,565)	19,535	0	19,535
Sub-total	116,931	(6,636)	110,295	(796)	109,499
Less assumed capital slippage at 10%	(12,462)	12,462			0
Total	104,469	5,826	110,295	(796)	109,499

Note: Slippage for schemes funded from corporate sources, mainly unsupported borrowing, have been allocated against the 10% slippage planning assumption. This assumption has now been met.

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 no overall net change. However reallocations within the 2013/14 programme have been necessary as detailed below:

The procurement of the Council's major school expansion projects is through an approved Scape Connect framework arrangement. Specific legal clauses in the framework contract require all Local Authorities to make advance payments, as opposed to the Council's standard payment-on-valuation policy.

Despite detailed negotiations with the contractor, in view of the legal contract clauses underpinning this framework, it is not possible for the Council to pay on valuations. Following discussions with Procurement and the contractor, and the necessity for these additional school places to be available for September 2014, the Council needs to make an advance payment of £800,000 to the contractor. The overall programme value is £7.8m.

In order to mitigate the risk to the Council, a legally binding Advanced Payment Bond will be secured to protect against any potential default of the principal contractor. This will ensure the Council's advance payment is protected should there be any issues. The cost of this bond is expected to be between £7,000 and £13,000. The £800,000 advance payment will not be made to the contractor until this bond is in place.

In order to meet the costs of the advance payment, a number of in year programme changes are necessary for the schools capital programme. The proposed changes outlined in Appendix 2 will not affect future years as the changes will be contained within the overall Schools capital programme for 2013/14.

4.3 Housing General Fund

The Housing General Fund programme requires a net reduction of (£205,000) which includes:

- (£120,000) re-profiled to future years for the Affordable Housing scheme to allow sufficient time for surveys and statements to be carried out on 3 Market Place as this is a grade 2 listed building.

4.4 Property Maintenance and Refurbishment

The property maintenance and refurbishment programme requires net changes totalling an increase of £224,000. This includes:

- A £394,000 increase for the Friargate Studios scheme as a result of confirmation of additional funding from the European Regional Development Fund of £216,000 with match funding from DCC.

4.5 Highways and Transport

The highways and transport programme requires net changes totalling a reduction of (£316,000) for the Street Lighting Energy Reduction Project to reflect the current profile for scheme delivery.

4.6 **Regeneration**

The Regeneration Programme requires a net decrease of (£633,000). This includes:

- (£418,000) decrease to the Connect – Shot Tower project due to delays in securing funding from the European Regional Development Fund (ERDF). Re-profiling is required in order to match fund with the anticipated ERDF grant.
- (£100,000) decrease to the Full Street demolition project as the planned contractor loan is no longer required. This was funded from the regeneration scheme fund and will therefore be reallocated back to the fund.
- The Old Bell Hotel was acquired in 2012 by a private developer who has invested in the first phase of redevelopment. In order to enable further phases of redevelopment to proceed, the owner has requested a loan of £125,000 from Derby City Council. The loan would be offered at a commercial interest rate to ensure compliance with State Aid and a return on the investment for the Regeneration Fund. The Council would also take security of first charge on the property thereby minimising the investment risk. The loan can be funded from the existing Regeneration Capital Programme allocation in 2013-14.

4.7 **ICT**

The ICT programme requires a net increase of £42,000. This includes:

- (£250,000) decrease to the social care software system due to the procurement process being incomplete which includes the agreement of supplier payment profiles.
- £292,000 increase in the HRIS project to bring the profile in line with the delivery of the project.

4.8 **HRA**

The HRA programme requires a net increase of £110,000. This includes:

- £500,000 requires re-allocating from the New Build and Acquisition scheme to fund the delivery of 5 affordable houses on the Victory Road scheme. This will be profiled as £40,000 in 2013/14 and £460,000 in 2014/15. Approval is also sought to enter into contracts to deliver the Victory Road scheme, subject to appropriate procurement processes being completed.

- 4.9 Table 2 shows the 2013/14 – 2015/16 indicative programmes incorporating the changes from above.

Table 2 Revised Indicative Programme 2013/14 -2015/16

Strategy Area	2013/14 £000	2014/15 £000	2015/16 £000
CYP	16,659	22,063	8,889
Housing General Fund	4,189	2,638	2,414
Property Improvement	2,992	8,405	1,716
Property Maintenance and Refurbishment	6,133	5,926	4,300
Parks and Open Spaces	530	2,078	854
Flood Defence	327	250	250
Highways and Transport	10,606	8,164	3,800
Streetpride Plant and Equipment	5,544	1,970	2,114
Regeneration	24,372	50,664	9,621
ICT	3,996	3,556	0
HRA	14,616	19,439	14,880
Strategic Projects	19,535	24,374	12,436
Sub total	109,499	149,528	61,724
Less assumed capital slippage	0	(101)	12,842
Adjustment for slippage of over-programming	0	0	101
Total Programme	109,499	149,427	74,217

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.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Chloe Bowes, Head of Corporate Finance
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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 2013/14
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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 2013/14 £000	Revised Capital Programme 2013/14 £000	Change £000	Category
Children and Young People				
Reigate Primary – Additional Classroom Space	103	86	(17)	R2
Wyndam Academy – Additional Classroom Spaces	185	193	8	R2
Gayton Junior School – Roofing Works	0	7	7	R2
Chaddesden Park Primary (Infant) Vic Hallam Repairs	0	2	2	R2
Firs Estate Primary – External Playground Works	151	136	(15)	R2
Water Hygiene Works	60	75	15	R2
Markeaton Primary School – PCP Scheme	119	106	(13)	R2
Ravensdale Junior School – PCP Scheme	0	7	7	R2
Lord Street Nursery – Replacement Boiler	0	6	6	R2
Schools Access Initiative	32	25	(7)	R2
Chellaston Junior School – SAI Blinds	0	3	3	R2
Portway Infant School – SAI Hand Rails	0	3	3	R2
Ravensdale Junior School – SAI Blinds	0	1	1	R2
Allenton Community Primary School – Permanent Expansion	82	50	(32)	R2
Cherry Tree Hill Primary School – Permanent Expansion	94	368	274	R2
Derwent Primary School – Permanent Expansion	35	206	171	R2
Redwood Primary School – Permanent Expansion	47	270	224	R2
Lawn Primary – Permanent expansion	59	34	(25)	R2
Borrow Wood Primary School – Permanent Expansion	44	50	6	R2

Breadsal Hill Infant School – Permanent Expansion	38	175	137	R2
Breadsal Hill Top Junior School – Permanent Expansion	51	233	182	R2
Village Primary School – Permanent Expansion	44	220	175	R2
Walter Evans CE Primary School – Permanent Expansion	45	211	165	R2
Bemrose Primary School	898	99	(799)	R2
Alenton Temporary Expansion	185	144	(41)	R2
Ash Croft Temporary Expansion	300	362	62	R2
Borrow Wood Temporary Expansion	278	267	(11)	R2
Brackensdale Temporary expansion	205	155	(50)	R2
Breadsal Hill Top Infants Temporary Expansion	140	63	(77)	R2
Chaddesden Park Temporary Expansion	200	168	(32)	R2
Cherry Tree Hill Primary School Temporary Expansion	190	146	(44)	R2
Derwent Primary School Temporary Expansion	100	0	(100)	R2
Lawn Primary Temporary Expansion	180	142	(38)	R2
Portway Infant Temporary expansion	190	147	(43)	R2
Village Primary Temporary Expansion	30	29	(1)	R2
Ashcroft Kitchen Works	114	10	(104)	R2
Total Changes to Children and Young people	4,199	4,199	0	
Housing General Fund				
DASH – Decent and Safe Homes	133	50	(83)	R1
Empty Homes Assistance	243	280	37	R1
Better at Homes/Minor Works	119	80	(39)	R1
Affordable Housing	200	80	(120)	S
Total Changes to Housing General Fund	695	490	(205)	
Property Improvements				
Connecting Derby	327	302	(25)	R1

Total Changes to Property Improvements	327	302	(25)	
Property Maintenance & Refurbishment				
Springwood Leisure Centre	100	110	10	R1
Friargate Studios	470	864	394	R1
Arboretum House and Perth House	1,100	1,000	(100)	R1
Contingency	94	84	(10)	R1
Pickfords House	80	10	(70)	R1
Total Changes to Property Maintenance and Refurbishment	1,844	2,068	224	
Parks and Open Spaces				
Sunnydale Park Path	30	37	7	R2
Total Changes to Parks and Open Spaces	30	37	7	
Highways and Transport				
Street Lighting Energy Reduction Project	453	137	(316)	S
Total Changes to Highways and Transport	453	137	(316)	
Regeneration				
Townscape Heritage Incentive	50	5	(45)	S
Full Street Demolition	100	0	(100)	R2

Belfour Beatty Site Acquisition	2,375	2,385	10	R2
Connect – Shot Tower	468	50	(418)	S
Innovation Centre	318	238	(80)	R1
1 Full street Magistrates Court	1,426	1,301	(125)	R2
Bell Inn	0	125	125	R2
Total Changes to Regeneration	4,737	4,104	(633)	
ICT				
GIS	235	165	(70)	S
Asset Management	118	188	70	S
Social Care	569	319	(250)	S
HRIS	237	529	292	R1
Total Changes to ICT	1,159	1,201	42	
HRA				
Electronic Upgrades	450	300	(150)	S
Major Refurbishment/Alterations	350	250	(100)	R1
UPVC Windows and Doors	800	900	100	R1
Bath Street	1,680	1,805	125	S
New Builds and Acquisitions	205	300	95	R1
Victory Road	0	40	40	
Total Changers to HRA	3,485	3,595	110	
TOTAL CHANGES TO PROGRAMME	16,929	16,133	(796)	

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
Re-allocation:	
R2	Within Department's programme
R3	To different Departments programme
FC	Funding Change